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12 Lewis Kahn
13 KAHN GAUTHIER SWICK, LLC
14 650 Poydras Street, Suite 2150
15 New Orleans, LA 70130
16 Tel: (504) 455-1400
17 Fax: (504) 455-1498

Lead Counsel for Plaintiff and the Class

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

18 ADRIAN MONGELLI, Individually, And)
19 On Behalf Of All Others Similarly Situated,)

20 Plaintiff,)

21 vs.)

22 TERAYON COMMUNICATIONS)
23 SYSTEMS, INC., ZAKI RAKIB, JERRY)
24 D. CHASE, MARK A. RICHMAN,)
25 EDWARD LOPEZ, RAY FRITZ, CAROL)
26 LUSTENADER, MATTHEW MILLER,)
27 SHLOMO RAKIB, DOUG SABELLA,)
28 CHRISTOPHER SCHAEPE, MARK)
SLAVEN, LEWIS SOLOMON, HOWARD)
W. SPEAKS, ARTHUR T. TAYLOR,)
DAVID WOODROW, and ERNST &)
YOUNG, LLP)

Defendants.)

CASE NO.: 3-06-CV-03936 CW

CLASS ACTION

**DECLARATION OF MICHAEL D.
BRAUN MADE PURSUANT TO THE
COURT'S MINUTE ORDER DATED
APRIL 3, 2008**

1 I, Michael D. Braun declare as follows:

2 1. I am a principal with the Braun Law Group, P.C., Liaison Counsel for Plaintiff and
3 the Class. I am a member of the California Bar and am admitted to practice in this District.

4 2. On April 3, 2008, a Joint Motion for Preliminary Approval of Class Action
5 Settlement ("Motion for Preliminary Approval ") came before this Court.

6 3. At the conclusion of the hearing, the Court instructed certain modifications be made
7 to documents that were submitted in conjunction with the Motion for Preliminary Approval.

8 4. On April 3, 2008, the Court entered a minute order instructing counsel to submit a
9 revised order and a redlined version within two days.

10 5. Pursuant to the Court's instructions provided at the hearing, and its Order of April 3,
11 2008, attached hereto are true and correct copies of the following documents:

12
13 EXHIBIT A: Notice of Pendency and Proposed Settlement of Class Action
14 (Redlined Version)

15 EXHIBIT B: Notice of Pendency and Proposed Settlement of Class Action

16 EXHIBIT C: Summary Notice; Exhibit A-2 (Redlined Version)

17 EXHIBIT D: Summary Notice; Exhibit A-2

18 EXHIBIT E: [Proposed] Order Preliminarily Approving Settlement and
19 Providing for Notice (Redlined Version)

20 EXHIBIT F: [Proposed] Order Preliminarily Approving Settlement and
21 Providing for Notice

22
23 I declare under penalty of perjury under the laws of the United states that the foregoing is
24 true and correct.

25 Executed on this 7th day of April, 2008.

26
27 /S/ Michael D. Braun
28 MICHAEL D. BRAUN

Deleted: LATHAM & WATKINS LLP
 Patrick E. Gibbs (SBN 183174)
 Jennie Foote Feldman (SBN 248375)
 140 Scott Drive
 Menlo Park, California 94025
 Telephone: (650) 328-4600
 Facsimile: (650) 463-2600
 Attorneys for Defendants Terayon
 Communication Systems, Inc., Zaki
 Rakib, Jerry D. Chase, Mark A. Richman,
 Edward Lopez, Ray Fritz, Carol
 Lustenader, Matthew Miller, Shlomo
 Rakib, Doug Sabella, Christopher
 Schaepe, Mark Slaven, Lewis Solomon,
 Howard W. Speaks, Arthur T. Taylor,
 and David Woodrow

Formatted Table**Deleted:** 400**Deleted:** Wilshire**Deleted:** 920**BRAUN LAW GROUP, P.C.**

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Lead Counsel for Lead Plaintiff and Class**SAXENA WHITE P.A.**

Maya Saxena

Joseph E. White, III

2424 N. Federal Highway, Suite 257

Boca Raton, FL 33431

Tel: (561) 394-3399

Lead Counsel for Lead Plaintiff and Class

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ADRIAN MONGELI, Individually, And On)
 Behalf Of All Others Similarly Situated,)

Plaintiffs,)

v.)

TERAYON COMMUNICATION SYSTEMS,)
 INC., ZAKI RAKIB, JERRY D. CHASE,)
 MARK A. RICHMAN, EDWARD LOPEZ,)
 RAY FRITZ, CAROL LUSTENADER,)
 MATTHEW MILLER, SHLOMO RAKIB,)
 DOUG SABELLA, CHRISTOPHER)
 SCHAEPE, MARK SLAVEN, LEWIS)
 SOLOMON, HOWARD W. SPEAKS,)
 ARTHUR T. TAYLOR, DAVID)
 WOODROW, and ERNST & YOUNG, LLP,)

Defendants.)

CASE NO.: 3-06-CV-03936 CW

CLASS ACTION**REVISED NOTICE OF PENDENCY
 AND PROPOSED SETTLEMENT OF
 CLASS ACTION****EXHIBIT A****Deleted:** {}LATHAM & WATKINS
 ATTORNEYS AT LAW
 LOS ANGELES

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION - 3-06-CV-03936-MJJ

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1 ***IF YOU PURCHASED THE PUBLICLY-TRADED SECURITIES OF TERAYON***
 2 ***COMMUNICATION SYSTEMS, INC. ("TERAYON") BETWEEN JUNE 28, 2001 AND***
 3 ***MARCH 1, 2006, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION***
 4 ***SETTLEMENT.***

5 A federal court authorized this Notice. This is not a solicitation from a lawyer.

6 **Securities and Time Period:** Terayon common stock; call options; and put options
 purchased between June 28, 2001 and March 1, 2006.

7 **Settlement Fund:** \$2,730,000 in cash. Your recovery will depend on the amount and
 8 type of securities purchased and the timing of your purchases, and any sales. Depending on the
 9 number and type of securities that participate in the settlement and when those shares were
 10 purchased and sold, the estimated average recovery per share of common stock will be
 11 approximately \$0.054 before deduction of Court-approved fees and expenses. The recovery for
 12 other securities cannot be accurately estimated.

13 **Reasons for Settlement:** Avoids the costs and risks associated with continued litigation,
 14 including the danger of no recovery, and provides a substantial benefit to the Class now.

15 **If the Case Had Not Settled:** The settlement must be compared to the risk of no
 16 recovery after contested motions, trial and likely appeals. While Lead Counsel were prepared to
 17 go to trial and were confident about the case, a trial is a risky proposition and Lead Plaintiff
 18 might not have prevailed. The claims in this case involve numerous complex legal and factual
 19 issues that would require extensive and costly expert testimony. Among the many key issues
 20 about which the two sides do not agree are: (1) whether any of the Defendants violated the
 21 securities laws or otherwise engaged in any wrongdoing; (2) whether the facts alleged by the
 22 Lead Plaintiff were material, false, misleading or otherwise actionable under the securities laws;
 23 (3) the extent (if any) that various facts alleged by the Lead Plaintiff influenced the trading prices
 24 of Terayon securities during the relevant period; (4) the method for determining whether
 25 Terayon securities were artificially inflated during the relevant period; (5) the amount (if any) of
 26 such inflation; and (6) the amount of damages (if any) that could be recovered at trial.

27 **Attorneys' Fees and Expenses:** Lead Counsel have not received any payment for their
 28 work investigating the facts, conducting this litigation and negotiating the settlement on behalf of

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the Lead Plaintiff and the Class. Court-appointed Lead Counsel will ask the Court for attorneys' fees of no greater than 1/3 of the Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$100,000 to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per share of common stock will be \$0.020.

Deadlines:

Submit Claim: July 25, 2008

Request Exclusion: August 28, 2008

File Objection: August 28, 2008

Court Hearing on Fairness of Settlement: Thursday, September 18, 2008 at

PM/AM.

More Information: <http://www.gardencitygroup.com> or

Claims Administrator:

Co-Lead Counsel:

Terayon Communication Systems, Inc.

Securities Litigation

c/o The Garden City Group, Inc.

PO Box 9257

Dublin, OH 43017-4657

Toll Free 1(888) 230-2185

Lewis S. Kahn
Kahn Gauthier Swick
650 Poydras St., Suite 2150
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Fax: (504) 455-1498

Joseph E. White III
Saxena White, P.A.
2424 North Federal Highway, Suite 257
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Tel: (561) 394-3399
Fax: (561) 394-3382

- Your legal rights are affected whether you act, or don't act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

SUBMIT A CLAIM FORM The only way to receive a payment.

OBJECT You may write to the Court if you do not like this settlement.

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c/o Garden City Group

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GO TO A HEARING

You may ask to speak in Court about the fairness of the settlement.

DO NOTHING

Receive no payment.

EXCLUDE YOURSELF

Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants relating to the claims being released in this case.

- These rights and options — *and the deadlines to exercise them* — are explained in this Notice.
- The Court in charge of this case must decide whether to approve the settlement. Payments will be made if the Court approves the settlement and, if there are any appeals, after appeals are resolved. Please be patient.

BASIC INFORMATION

1. Why Did I Receive This Notice Package?

You or someone in your family may have purchased publicly-traded securities of Terayon between June 28, 2001 and March 1, 2006.

The Court sent you this Notice because you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the settlement. If the Court approves it and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the settlement allows.

This package explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Northern District of California, and the case is known as *Mongeli v. Terayon Communication Systems, Inc.*, No. 3-06-CV-03936 MJJ (N.D. Cal.). The person who sued is called the Lead Plaintiff, and the company and the individuals he sued, Terayon, Zaki Rakib, Jerry D. Chase, Mark A. Richman, Edward Lopez, Ray Fritz, Carol Lustenader, Matthew Miller, Shlomo Rakib, Doug

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1 Sabella, Christopher Schaepe, Mark Slaven, Lewis Solomon, Howard W. Speaks, Arthur T.
2 Taylor, David Woodrow and Ernst & Young LLP are called the Defendants.

3 2. What Is This Lawsuit About?

4 This case was brought as a class action alleging that Defendants made false and
5 misleading statements and omissions during the period June 28, 2001 and March 1, 2006,
6 concerning Terayon's financial condition and the company's internal auditing and accounting
7 procedures. The case alleges that these misrepresentations resulted in the artificial inflation of
8 the prices of Terayon publicly-traded securities between June 28, 2001 and March 1, 2006.
9 Defendants deny that they did anything wrong.

10 3. Why Is This a Class Action?

11 In a class action, one or more people called class representatives (in this case the Court-
12 appointed Lead Plaintiff, Adrian Mongeli) sue on behalf of people who have similar claims.
13 Here, all these people are called a Class or Class Members. One court resolves the issues for all
14 Class Members, except for those who timely and validly exclude themselves from the Class.
15 Judge Claudia Wilken is in charge of this class action.

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16 4. Why Is There a Settlement?

17 The Court did not decide in favor of Lead Plaintiff or Defendants. Instead, both sides
18 agreed to a settlement. That way, they avoid the cost and uncertainty of a trial, and eligible Class
19 Members who submit valid claims will receive compensation. The Lead Plaintiff and his
20 attorneys think the settlement is best for all Class Members.

21 **WHO IS IN THE SETTLEMENT**

22 To see if you will receive money from this settlement, you first have to determine if you
23 are a Class Member.

24 5. How Do I Know if I Am Part of the Settlement?

25 The Class includes *all persons who purchased the publicly-traded securities of Terayon*
26 *between June 28, 2001 and March 1, 2006.*

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6. What Are The Exceptions to Being Included?

You are not a Class Member if you are a Defendant, a member of the immediate family of one of the Individual Defendants listed in question 1, a current or former director or officer of Terayon, a legal representative, heir, successor, or assign of any excluded party.

If you sold Terayon securities between June 28, 2001 and March 1, 2006, that alone does not make you a Class Member. You are a Class Member only if you purchased the publicly-traded securities of Terayon between June 28, 2001 and March 1, 2006.

7. I'm Still Not Sure if I Am Included.

If you are still not sure whether you are included, you can ask for free help. You can call Joseph E. White III at (561) 394-3399 or Lewis S. Kahn at (504) 455-1400 for more information. Or you can fill out and return the claim form described in question 10, to see if you qualify.

THE SETTLEMENT BENEFITS — WHAT YOU GET

8. What Does the Settlement Provide?

Defendants have agreed to pay \$2.73 million in cash. The balance of this fund after payment of Court-approved attorneys' fees and expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice (the "Net Settlement Fund") will be divided among all eligible Class Members who send in valid claim forms.

9. How Much Will My Payment Be?

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members send in and how many shares of Terayon securities you purchased during the relevant period and when you bought and sold them. A claim will be calculated as follows:

Common Stock

The allocation for common stock is based upon the per share inflation amounts listed in the Plan of Allocation, attached hereto.

The payment you receive will reflect your pro rata share of the Net Settlement Fund. Depending on the number and type of eligible securities that participate in the settlement and when those securities were purchased and sold, the estimated average payment for common

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1 stock will be approximately \$0.054 for each share of common stock before deduction of Court-
2 approved fees and expenses. The number of claimants who send in claims varies widely from
3 case to case. If fewer than anticipated Class Members send in a claim form, you could receive
4 more money.

5 The date of purchase or sale is the “contract” or “trade” date as distinguished from the
6 “settlement” date.

7 For Class Members who held Terayon securities at the beginning of the Class Period or
8 made multiple purchases or sales during the Class Period, the first-in, first-out (“FIFO”) method
9 will be applied to such holdings, purchases and sales for purposes of calculating a claim. Under
10 the FIFO method, sales of securities during the Class Period will be matched, in chronological
11 order, first against securities held at the beginning of the Class Period. The remaining sales of
12 securities during the Class Period will then be matched, in chronological order, against securities
13 purchased during the Class Period.

14 A Class Member will be eligible to receive a distribution from the Net Settlement Fund
15 only if a Class Member had a net loss, after all profits from transactions in Terayon securities
16 during the Class Period are subtracted from all losses. However, the proceeds from sales of
17 securities of the same type which have been matched against securities of the same type held at
18 the beginning of the Class Period will not be used in the calculation of such net loss. No
19 distributions will be made to Authorized Claimants who would otherwise receive a distribution
20 of less than \$10.00.

21 **HOW YOU OBTAIN A PAYMENT — SUBMITTING A CLAIM FORM**

22 10. How Will I Obtain a Payment?

23 To qualify for payment, you must be an eligible Class Member, send in a valid claim
24 form, and properly document your claim as requested in the claim form. A claim form is
25 enclosed with this Notice. Read the instructions carefully, fill out the form, include all the
26 documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later
27 than _____, 2008.

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1 11. When Will I Receive My Payment?

2 The Court will hold a hearing on September 18, 2008, to decide whether to approve the
 3 settlement. If Judge Wilken approves the settlement, there may be appeals. It is always
 4 uncertain whether these appeals can be resolved, and resolving them can take time, perhaps
 5 several years. Everyone who sends in a claim form will be informed of the determination with
 6 respect to their claim. Please be patient.

7 12. What Am I Giving Up to Receive a Payment or Stay in the Class?

8 Unless you timely and validly exclude yourself, you are staying in the Class, and that
 9 means that you cannot sue, continue to sue, or be part of any other lawsuit against the
 10 Defendants about the Released Claims in this case. It also means that all of the Court's orders
 11 will apply to you and legally bind you and you will release your claims in this case against the
 12 Defendants. The terms of the release are included in the claim form that is enclosed.

13 **EXCLUDING YOURSELF FROM THE SETTLEMENT**

14 If you do not want a payment from this settlement, but you want to keep the right to sue
 15 or continue to sue the Defendants on your own for the Released Claims in this case, then you
 16 must take steps to get out of the Class. This is called excluding yourself or is sometimes referred
 17 to as opting out of the Class.

18 13. How Do I Get Out of the Class?

19 To exclude yourself from the Class, you must send a letter by mail stating that you want
 20 to be excluded from *Mongeli v. Terayon Communication Systems, Inc.*, No. 3-06-CV-03936 MJJ
 21 (N.D. Cal.). You must include your name, address, telephone number, your signature, and the
 22 number and type of shares of Terayon securities you purchased between June 28, 2001 and
 23 March 1, 2006, the number and type of securities sold during this time period, if any, and the
 24 dates of such purchases and sales. You must mail your exclusion request postmarked no later
 25 than August 28, 2008 to:

Deleted: _____,

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 ATTORNEYS AT LAW
 LOS ANGELES

Terayon Communication Systems, Inc. Securities Litigation

c/o The Garden City Group, Inc.

PO Box 9257

Dublin, OH 43017-4657

Toll Free 1(888) 230-2185

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any settlement payment, and you cannot object to the settlement. You will not be legally bound by anything that happens in this lawsuit.

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c/o The Garden City Group, Inc.¶
[Address Will be Inserted at Time of
Printing]¶

14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?

No. Unless you timely and validly exclude yourself, you give up any right to sue the Defendants for the Released Claims in this settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is August 28, 2008.

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15. If I Exclude Myself, Can I Receive Money from This Settlement?

No. If you exclude yourself, do not send in a claim form. But, you may be able to sue, continue to sue, or be part of a different lawsuit involving the Released Claims against the Defendants.

THE LAWYERS REPRESENTING YOU

16. Do I Have a Lawyer in This Case?

The Court appointed the law firms of Saxena White P.A. and Kahn Gauthier Swick, LLC to represent you and other Class Members. These lawyers are called Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one, at your own expense.

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1 17. How Will the Lawyers Be Paid?

2 Lead Counsel will ask the Court for attorneys' fees of no more than 1/3 of the Settlement
 3 Fund and for reimbursement of their out-of-pocket expenses up to \$100,000 which were
 4 advanced in connection with the litigation, which may include approximately \$3000 for
 5 reimbursement for the lead plaintiff's time and expenses. Such sums as may be approved by the
 6 Court will be paid from the Settlement Fund. Class Members are not personally liable for any
 7 such fees or expenses.

8 The attorneys' fees and expenses requested will be the only payment to Lead Counsel for
 9 their efforts in achieving this settlement and for their risk in undertaking this representation on a
 10 wholly contingent basis. Lead Counsel have committed significant time and expenses in
 11 litigating this case for the benefit of the Class since its inception in 2006. Lead Counsel has
 12 invested substantial time and effort in prosecuting this case and has not been paid for their
 13 services in conducting this litigation on behalf of the Lead Plaintiff and the Class, nor for their
 14 substantial out-of-pocket expenses. The fee requested will compensate Lead Counsel for their
 15 work in achieving the Settlement Fund and is well within the range of fees awarded to class
 16 counsel under similar circumstances in other cases of this type. The Court may award less than
 17 this amount.

18 **OBJECTING TO THE SETTLEMENT**

19 You can tell the Court that you do not agree with the settlement or some part of it.

20 18. How Do I Tell the Court that I Do Not Like the Settlement?

21 If you are a Class Member, you can object to the settlement if you do not like any part of
 22 it, including the Plan of Allocation and the request for attorneys' fees. You can state the reasons
 23 why you think the Court should not approve it. The Court will consider your views. To object,
 24 you must send a letter saying that you object to the settlement in *Mongeli v. Terayon*
 25 *Communication Systems, Inc.*, No. CV-03-03936 MJJ. Be sure to include your name, address,
 26 telephone number, your signature, the number and type of Terayon securities purchased and sold
 27 between June 28, 2001 and March 1, 2006 and the reasons you object. Any objection must be
 28

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1 mailed or delivered such that it is received by *each* of the following no later than August 28,
 2 2008:

Deleted: _____,

3 *Court:*

4 Clerk of the Court
 5 UNITED STATES DISTRICT COURT
 6 NORTHERN DISTRICT OF CALIFORNIA
 7 United States Courthouse
1301 Clay Street,
Oakland, California 94612-5212

Deleted: 450 Golden Gate Avenue
 San Francisco, CA 94102

8 *Co-Lead Counsel for Lead Plaintiff:*

9 Joseph E. White III
 10 SAXENA WHITE, P.A.
 2424 North Federal Highway, Suite 257
 Boca Raton, FL 33431
 11 Tel: (561) 394-3399
 Fax: (561) 394-3382

12 Lewis S. Kahn
 13 Kahn Gauthier Swick
 650 Poydras St.
 14 Suite 2150
 15 New Orleans, LA 70130

16 *Liaison Counsel:*

17 Michael D. Braun
 18 BRAUN LAW GROUP, P.C.
 12400 Wilshire Boulevard, Suite 920
 Los Angeles, CA 90025
 19 Tel: (561) 394-3399
 Fax: (561) 394-3382

20 *Counsel for Terayon Communication Systems, Inc. and the Individual*
 21 *Defendants:*

22 Patrick E. Gibbs
 LATHAM & WATKINS LLP
 140 Scott Drive
 23 Menlo Park, CA 94025
 Tel: (650) 328-4600
 24 Fax: (650) 463-2600

25 *Counsel for Defendant Ernst & Young:*

26 John Hemann
 27 MORGAN, LEWIS & BOCKIUS LLP
 One Market
 28 Spear Street Tower

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 ATTORNEYS AT LAW
 LOS ANGELES

San Francisco, CA 94105
Tel: (415) 442-1000
Fax: (415) 442-1001

19. What's the Difference Between Objecting and Excluding?

Objecting is simply telling the Court that you do not like something about the settlement. You can object **only if** you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak, but you do not have to.

20. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a fairness hearing at _____.m., on September 18, 2008, at the United States Courthouse, 1301 Clay Street, Oakland, California. At this hearing the Court will consider whether the settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge Wilken will listen to people who have asked to speak at the hearing. The Court will also consider how much to pay to Lead Counsel. The Court may decide these issues at the hearing or take them under consideration. We do not know how long these decisions will take. The Court may change the date of the Settlement Hearing without providing further notice to you; however, the Court's calendar is publicly available on its website at <http://www.cand.uscourts.gov/>. You are encouraged to check the Court's website or contact Lead Counsel to verify the Settlement Hearing has not been changed.

21. Do I have to Come to the Hearing?

No. Lead Counsel will answer questions Judge Wilken may have. But, you are welcome to come, at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

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ATTORNEYS AT LAW
LOS ANGELES

22. May I Speak at the Hearing?

You may ask the Court for permission to speak at the fairness hearing. To do so, you must send a letter saying that it is your intention to appear in *Mongeli v. Terayon Communication Systems, Inc.*, No. 3-06-CV-03936 MJJ. Be sure to include your name, address, telephone number, your signature, and the number and type of Terayon securities purchased between June 28, 2001 and March 1, 2006. Your notice of intention to appear must be postmarked no later than September 8, 2008, and be sent to the Clerk of the Court, Lead Counsel, and Defendants' counsel, at the three addresses listed in question 18. You cannot speak at the hearing if you exclude yourself from the Class.

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IF YOU DO NOTHING

23. What Happens if I Do Nothing at All?

If you do nothing, you will not receive any money from this settlement. But, unless you exclude yourself, you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants about the Released Claims in this case.

GETTING MORE INFORMATION

24. Are There More Details About the Settlement?

This Notice summarizes the proposed settlement. More details are in the Stipulation of Settlement dated as of February 19, 2008. You can obtain a copy of the Stipulation of Settlement by writing to Joseph E. White III, Saxena White, P.A., 2424 North Federal Highway, Suite 257, Boca Raton, Florida 33431, or Lewis S. Kahn, Kahn Gauthier Swick, 650 Poydras St., Suite 2150, New Orleans, LA 70130, or by visiting the Clerk's office at the United States District Court for the Northern District of California, 1301 Clay Street, Oakland, California during regular business hours.

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ATTORNEYS AT LAW
LOS ANGELES

25. How Do I Get More Information?

You can call 1(888) 230-2185 or write to Joseph E. White III at Saxena White, P.A., or Lewis S. Kahn at Kahn Gauthier Swick, 650 Poydras St., Suite 2150, New Orleans, LA 70130, or visit the Settlement Administrator's website at <http://www.gardencitygroup.com>.

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THE PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proof of Claim forms ("Authorized Claimants") under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in Terayon common stock and options during the Class Period.

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Each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The total of all profits shall be subtracted from the total of all losses from transactions during the Class Period to determine if a Class Member has a claim. Only if a Class Member had a net loss, after all profits from transactions in Terayon Communications Systems common stock during the Class Period are subtracted from all losses, will such Class Member be eligible to receive a distribution from the Net Settlement Fund. Claims will be calculated as follows:

Section 10(b) Claims

Class Period June 28, 2001 through March 1, 2006

The Allocation below is based on the following price data:

November 7, 2005 Closing Price: \$2.57

November 8, 2005 Closing Price: \$2.25

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November 8, 2005 Price Decline: \$0.32

January 10, 2006 Closing Price: \$2.06

January 11, 2006 Closing Price: \$2.00

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January 11, 2006 Price Decline: \$0.06

March 1, 2006 Closing Price: \$2.70

March 2, 2006 Closing Price: \$2.33

March 2, 2006 Price Decline: \$0.37

1. For shares of Terayon Communications Systems common stock purchased on June 28, 2001 through November 7, 2005, and

a) Sold prior to November 8, 2005, the claim per share is \$0;

b) Sold from November 8, 2005 through January 10, 2006, the claim per share is the lesser of: (i) the purchase price less the sales price, or (ii) \$0.32 (November 8, 2005 price decline);

c) Sold from January 11, 2006 through March 1, 2006, the claim per share is the lesser of (i) the purchase price less the sales price, or (ii) \$0.38 (November 8, 2005 and January 11, 2006 price declines);

d) Retained at the end of March 1, 2006, the claim per share is the lesser of: (i) the purchase price less \$2.33 (March 2, 2006 closing price), or (ii) \$0.75 (November 8, 2005, January 11, 2006 and March 2, 2006 price declines).

2. For shares of Terayon Communications Systems common stock purchased on November 8, 2005 through January 10, 2006, and

a) Sold prior to January 11, 2006, the claim per share is \$0;

b) Sold from January 11, 2006 through March 1, 2006, the claim per share is the lesser of: (i) the purchase price less the sales price, or (ii) \$0.06 (January 11, 2006 price decline);

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c) Retained at the end of March 1, 2006, the claim per share is the lesser of: (i) the purchase price less \$2.33 (March 2, 2006 closing price), or (ii) \$0.43 (January 11, 2006 and March 2, 2006 price declines).

3. For shares of Terayon Communications Systems common stock purchased on January 11, 2006 through March 1, 2006, and

a) Sold no later than March 1, 2006, the claim per share is \$0;

b) Retained as of March 2, 2006, the claim per share is the lesser of: (i) the purchase price less \$2.33 (March 2, 2006 closing price), or (ii) \$0.37 (March 2, 2006 price decline).

Example #1:

John Doe makes the following Class Period purchase and sale:

- He buys 1,000 shares on February 26, 2002 at \$5 per share.
- He sells 1,000 shares on December 30, 2005 at \$2.25 per share.

Calculation:

Step 1: Mr. Doe is eligible to receive money because he has "a net loss," and the Plan of Allocation requires a net loss on all transactions in Terayon common stock and options during the Class Period to be eligible to participate in the distribution of the Net Settlement Fund..

—

Step 2: Recovery per share for this claim will be the lesser of: (i) the purchase price minus the sales price, or (ii) \$0.32 (the November 8, 2005 price decline), calculated according to p. 14, Para. 1(b), because the purchase and sale dates are November 8, 2005 and January 10, 2006.

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Step 3: The difference between the purchase price and the sale price is \$2.75 (\$5.00 - \$2.25).

Therefore, the claim per share is \$0.32. The total value of this claim is 1,000 shares x \$0.32 or \$320.00.

Recognized Loss = \$320

Example #2:

At the beginning of the Class Period, Jane Doe already owns 300 shares. At the end of the Class Period she owns 500 shares. She also makes the following purchases and sales during the Class Period:

- She buys 200 shares on June 10, 2002 at \$2.50 per share (now she owns 500 total shares).
- She buys 500 shares on December 8, 2003 at \$5.00 per share (now she owns 1000 total shares).
- She sells 300 shares on March 4, 2004 at \$4.25 per share (now she owns 700 total shares).
- She sells 200 shares on September 20, 2005 at \$4.00 per share (now she owns 500 total shares).

Calculation:

Step 1: In this scenario, a method called the "First In First Out" (or "FIFO") will be used. Under FIFO, the shares that were purchased first are assumed to be sold completely before shares purchased later are sold. Note: Ms. Doe is eligible to receive a distribution because she has "a net loss." See p. 13, 2d Full Para.

Step 2: Applying FIFO, the first sale of 300 shares matches to the pre-Class Period holdings and this match up does not result in a recognized loss.

Step 3: Applying FIFO, the next matchup is the first purchase of 200 shares during the Class Period which matches to the sale of 200 shares on September 20, 2005. This matchup is calculated pursuant to p. 14, Para. 1(a) because of the purchase and sale dates. Accordingly, the

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1 claim per share for these 200 shares is \$0, as sales prior to November 8, 2005 result in zero
 2 recognized loss.

3
 4 Step 4: Applying FIFO, the final matchup will be calculated pursuant to p. 14, Para. 1(d) because
 5 of the purchase and sale dates. Accordingly, the claim per share is \$0.75. The total value of this
 6 matchup is 500 shares x \$0.75 or \$375.00.

7
 8 **Recognized Loss = \$375**

9
 10
 11 Call Options:

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 13 The amount of recognized claim for purchasers of Call Options on Terayon
 14 Communications Systems common stock during the Class Period will be calculated as follows:

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- 15
 16
 17 1) No claim will be recognized for any Terayon Communications Systems Call
 18 Options purchased during the Class Period that were not owned as of the close of
 19 trading on 11/7/05, 1/10/06 or 3/1/06.
- 20
 21 2) For Terayon Communications Systems Call Options purchased during the Class
 22 Period and owned as of the close of trading on 11/7/05, an authorized claimant's
 23 recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between
 24 (x) the amount paid for the Terayon Communications Systems Call Options
 25 during the Class Period (including brokerage commissions and transaction
 26 chargers)(the Purchase Price Paid or "PPP") and (y) the sum for which said
 27 Terayon Communications Systems Call Options were subsequently sold at a loss
 28 (after brokerage commissions & transaction chargers)(or \$0.00 if the Call Option

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expired while still owned by the authorized claimant (the Sale Price Received or “SPR”); or (b) \$0.02 (5% of the November 8, 2005 price decline).

3) For Terayon Communications Systems Call Options purchased during the Class Period and owned as of the close of trading on 1/10/06, an authorized claimant’s recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between the PPP and the SPR; or (b) \$0.01.

4) For Terayon Communications Systems Call Options purchased during the Class Period and owned as of the close of trading on 3/1/06, an authorized claimant’s recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between the PPP and the SPR; or (b) \$0.02 (5% of the March 2, 2006 price decline).

5) No loss shall be recognized based on a sale or writing of any Call Options that were subsequently repurchased.

NOTE: Shares of Terayon Communications Systems acquired during the Class Period through the exercise of a Call Option shall be treated as a claim purchase on the date of exercise for the exercise price plus the cost of the Call Option, and any recognized claim arising from such transaction shall be computed as provided for other purchases of common stock.

Put Options:

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The amount of recognized claim for sales (writing) of Put Options on Terayon Communications Systems common stock during the Class Period will be calculated as follows:

1) No claim for any Put Options sold (written) during the Class Period that were not the obligation of the claimant as of the close of trading on 11/7/05, 1/10/06 or 3/1/06.

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2) For Terayon Communications Systems Put Options sold (written) during the Class Period which were the obligation of the authorized claimant at the close of trading on 11/7/05, an authorized claimant's recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between (x) the amount received for writing the Put Option for the Terayon Communications Systems during the Class Period (including brokerage commissions and transaction charges) (the "PPP") and (y) the sum for which said Terayon Communications Systems Put Options were repurchased at a loss (after brokerage commissions & transaction charges)(or \$0.00 if the Put Option expired while still owned by the authorized claimant (the "SPR"); or (b) \$0.02 (5% of the November 8, 2005 price decline).

3) For Terayon Communications Systems Put Options sold (written) during the Class Period which were the obligation of the authorized claimant at the close of trading on 1/10/06, an authorized claimant's recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between the PPP and the SPR; or (b) \$0.01

4) For Terayon Communications Systems Put Options sold (written) during the Class Period which were the obligation of the authorized claimant at the close of trading on 3/1/06, an authorized claimant's recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between the PPP and the SPR; or (b) \$0.02 (5% of the March 2, 2006 price decline).

5) No loss shall be recognized base on a sale of any Put Options that were previously purchased.

NOTE: For Terayon Communications Put Options written during the Class Period that were "Put" to the authorized claimant (i.e. exercised), the authorized claimant's recognized claim

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1 shall be calculated as a purchase of common stock as shown above, and as if the sale of the Put
 2 Option were instead a purchase of Terayon Communications Systems common stock on the date
 3 of the sale of the Put Option, and the "purchase price paid" shall be the strike price less the
 4 proceeds received at the sale of the Put Option.

7 ***DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE***

8 **SPECIAL NOTICE TO NOMINEES**

9 The Court has ordered that if you hold shares of any Terayon securities purchased
 10 between June 28, 2001 and March 1, 2006 as nominee for a beneficial owner, then, within ten
 11 (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first
 12 class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to
 13 the Claims Administrator:

14 *Terayon Communication Systems, Inc. Securities Litigation*

15 *c/o The Garden City Group, Inc.*

16 *PO Box 9257*

17 *Dublin, OH 43017-4657*

19 *1(888) 230-2185* If you choose to mail the Notice and Proof of Claim yourself, you may
 20 obtain from the Claims Administrator (without cost to you) as many additional copies of these
 21 documents as you will need to complete the mailing.

22 Regardless of whether you choose to complete the mailing yourself or elect to have the
 23 mailing performed for you, you may obtain reimbursement for or advancement of reasonable
 24 administrative costs actually incurred or expected to be incurred in connection with forwarding
 25 the Notice and which would not have been incurred but for the obligation to forward the Notice,
 26 upon submission of appropriate documentation to the Claims Administrator.

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c/o Garden City Group

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ATTORNEYS AT LAW
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1 DATED: _____

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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 Fax: (504) 455-1498
Lead Counsel for Lead Plaintiff and Class

SAXENA WHITE P.A.
 Maya Saxena
 Joseph E. White, III
 2424 N. Federal Highway, Suite 257
 Boca Raton, FL 33431
 Tel: (561) 394-3399
Lead Counsel for Lead Plaintiff and Class

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ADRIAN MONGELI, Individually, And On)
 Behalf Of All Others Similarly Situated,)
)
 Plaintiffs,)
)
 v.)
)
 TERAYON COMMUNICATION SYSTEMS,)
 INC., ZAKI RAKIB, JERRY D. CHASE,)
 MARK A. RICHMAN, EDWARD LOPEZ,)
 RAY FRITZ, CAROL LUSTENADER,)
 MATTHEW MILLER, SHLOMO RAKIB,)
 DOUG SABELLA, CHRISTOPHER)
 SCHAEPE, MARK SLAVEN, LEWIS)
 SOLOMON, HOWARD W. SPEAKS,)
 ARTHUR T. TAYLOR, DAVID)
 WOODROW, and ERNST & YOUNG, LLP,)
)
 Defendants.)

CASE NO.: 3-06-CV-03936 CW

CLASS ACTION

**REVISED NOTICE OF PENDENCY
 AND PROPOSED SETTLEMENT OF
 CLASS ACTION**

EXHIBIT A

IF YOU PURCHASED THE PUBLICLY-TRADED SECURITIES OF TERAYON COMMUNICATION SYSTEMS, INC. ("TERAYON") BETWEEN JUNE 28, 2001 AND MARCH 1, 2006, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Securities and Time Period: Terayon common stock; call options; and put options purchased between June 28, 2001 and March 1, 2006.

Settlement Fund: \$2,730,000 in cash. Your recovery will depend on the amount and type of securities purchased and the timing of your purchases, and any sales. Depending on the number and type of securities that participate in the settlement and when those shares were purchased and sold, the estimated average recovery per share of common stock will be approximately \$0.054 before deduction of Court-approved fees and expenses. The recovery for other securities cannot be accurately estimated.

Reasons for Settlement: Avoids the costs and risks associated with continued litigation, including the danger of no recovery, and provides a substantial benefit to the Class now.

If the Case Had Not Settled: The settlement must be compared to the risk of no recovery after contested motions, trial and likely appeals. While Lead Counsel were prepared to go to trial and were confident about the case, a trial is a risky proposition and Lead Plaintiff might not have prevailed. The claims in this case involve numerous complex legal and factual issues that would require extensive and costly expert testimony. Among the many key issues about which the two sides do not agree are: (1) whether any of the Defendants violated the securities laws or otherwise engaged in any wrongdoing; (2) whether the facts alleged by the Lead Plaintiff were material, false, misleading or otherwise actionable under the securities laws; (3) the extent (if any) that various facts alleged by the Lead Plaintiff influenced the trading prices of Terayon securities during the relevant period; (4) the method for determining whether Terayon securities were artificially inflated during the relevant period; (5) the amount (if any) of such inflation; and (6) the amount of damages (if any) that could be recovered at trial.

Attorneys' Fees and Expenses: Lead Counsel have not received any payment for their work investigating the facts, conducting this litigation and negotiating the settlement on behalf of

the Lead Plaintiff and the Class. Court-appointed Lead Counsel will ask the Court for attorneys' fees of no greater than 1/3 of the Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$100,000 to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per share of common stock will be \$0.020.

Deadlines:

Submit Claim: July 25, 2008

Request Exclusion: August 28, 2008

File Objection: August 28, 2008

Court Hearing on Fairness of Settlement: Thursday, September 18, 2008 at _____ PM/AM.

More Information: <http://www.gardencitygroup.com> or
Claims Administrator:

Terayon Communication Systems, Inc.
Securities Litigation
c/o The Garden City Group, Inc.
PO Box 9257
Dublin, OH 43017-4657
Toll Free 1(888) 230-2185

Co-Lead Counsel:

Lewis S. Kahn
Kahn Gauthier Swick
650 Poydras St., Suite 2150
New Orleans, LA 70130
Tel: (504) 455-1400
Fax: (504) 455-1498

Joseph E. White III
Saxena White, P.A.
2424 North Federal Highway, Suite 257
Boca Raton, FL 33431
Tel: (561) 394-3399
Fax: (561) 394-3382

- Your legal rights are affected whether you act, or don't act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

SUBMIT A CLAIM FORM The only way to receive a payment.

OBJECT You may write to the Court if you do not like this settlement.

GO TO A HEARING

You may ask to speak in Court about the fairness of the settlement.

DO NOTHING

Receive no payment.

EXCLUDE YOURSELF

Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants relating to the claims being released in this case.

- These rights and options — *and the deadlines to exercise them* — are explained in this Notice.
- The Court in charge of this case must decide whether to approve the settlement. Payments will be made if the Court approves the settlement and, if there are any appeals, after appeals are resolved. Please be patient.

BASIC INFORMATION

1. Why Did I Receive This Notice Package?

You or someone in your family may have purchased publicly-traded securities of Terayon between June 28, 2001 and March 1, 2006.

The Court sent you this Notice because you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the settlement. If the Court approves it and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the settlement allows.

This package explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Northern District of California, and the case is known as *Mongeli v. Terayon Communication Systems, Inc.*, No. 3-06-CV-03936 MJJ (N.D. Cal.). The person who sued is called the Lead Plaintiff, and the company and the individuals he sued, Terayon, Zaki Rakib, Jerry D. Chase, Mark A. Richman, Edward Lopez, Ray Fritz, Carol Lustenader, Matthew Miller, Shlomo Rakib, Doug

1 Sabella, Christopher Schaepe, Mark Slaven, Lewis Solomon, Howard W. Speaks, Arthur T.
2 Taylor, David Woodrow and Ernst & Young LLP are called the Defendants.

3 2. What Is This Lawsuit About?

4 This case was brought as a class action alleging that Defendants made false and
5 misleading statements and omissions during the period June 28, 2001 and March 1, 2006,
6 concerning Terayon's financial condition and the company's internal auditing and accounting
7 procedures. The case alleges that these misrepresentations resulted in the artificial inflation of
8 the prices of Terayon publicly-traded securities between June 28, 2001 and March 1, 2006.
9 Defendants deny that they did anything wrong.

10 3. Why Is This a Class Action?

11 In a class action, one or more people called class representatives (in this case the Court-
12 appointed Lead Plaintiff, Adrian Mongeli) sue on behalf of people who have similar claims.
13 Here, all these people are called a Class or Class Members. One court resolves the issues for all
14 Class Members, except for those who timely and validly exclude themselves from the Class.
15 Judge Claudia Wilken is in charge of this class action.

16 4. Why Is There a Settlement?

17 The Court did not decide in favor of Lead Plaintiff or Defendants. Instead, both sides
18 agreed to a settlement. That way, they avoid the cost and uncertainty of a trial, and eligible Class
19 Members who submit valid claims will receive compensation. The Lead Plaintiff and his
20 attorneys think the settlement is best for all Class Members.

21 **WHO IS IN THE SETTLEMENT**

22 To see if you will receive money from this settlement, you first have to determine if you
23 are a Class Member.

24 5. How Do I Know if I Am Part of the Settlement?

25 The Class includes *all persons who purchased the publicly-traded securities of Terayon*
26 *between June 28, 2001 and March 1, 2006.*
27
28

1 6. What Are The Exceptions to Being Included?

2 You are not a Class Member if you are a Defendant, a member of the immediate family
3 of one of the Individual Defendants listed in question 1, a current or former director or officer of
4 Terayon, a legal representative, heir, successor, or assign of any excluded party.

5 If you sold Terayon securities between June 28, 2001 and March 1, 2006, that alone does
6 not make you a Class Member. You are a Class Member only if you purchased the publicly-
7 traded securities of Terayon between June 28, 2001 and March 1, 2006.

8 7. I'm Still Not Sure if I Am Included.

9 If you are still not sure whether you are included, you can ask for free help. You can call
10 Joseph E. White III at (561) 394-3399 or Lewis S. Kahn at (504) 455-1400 for more information.
11 Or you can fill out and return the claim form described in question 10, to see if you qualify.

12 **THE SETTLEMENT BENEFITS — WHAT YOU GET**

13 8. What Does the Settlement Provide?

14 Defendants have agreed to pay \$2.73 million in cash. The balance of this fund after
15 payment of Court-approved attorneys' fees and expenses and the costs of claims administration,
16 including the costs of printing and mailing this Notice and the cost of publishing newspaper
17 notice (the "Net Settlement Fund") will be divided among all eligible Class Members who send
18 in valid claim forms.

19 9. How Much Will My Payment Be?

20 Your share of the Net Settlement Fund will depend on the number of valid claim forms
21 that Class Members send in and how many shares of Terayon securities you purchased during
22 the relevant period and when you bought and sold them. A claim will be calculated as follows:

23 **Common Stock**

24 The allocation for common stock is based upon the per share inflation amounts listed in
25 the Plan of Allocation, attached hereto.

26 The payment you receive will reflect your pro rata share of the Net Settlement Fund.
27 Depending on the number and type of eligible securities that participate in the settlement and
28 when those securities were purchased and sold, the estimated average payment for common

1 stock will be approximately \$0.054 for each share of common stock before deduction of Court-
2 approved fees and expenses. The number of claimants who send in claims varies widely from
3 case to case. If fewer than anticipated Class Members send in a claim form, you could receive
4 more money.

5 The date of purchase or sale is the “contract” or “trade” date as distinguished from the
6 “settlement” date.

7 For Class Members who held Terayon securities at the beginning of the Class Period or
8 made multiple purchases or sales during the Class Period, the first-in, first-out (“FIFO”) method
9 will be applied to such holdings, purchases and sales for purposes of calculating a claim. Under
10 the FIFO method, sales of securities during the Class Period will be matched, in chronological
11 order, first against securities held at the beginning of the Class Period. The remaining sales of
12 securities during the Class Period will then be matched, in chronological order, against securities
13 purchased during the Class Period.

14 A Class Member will be eligible to receive a distribution from the Net Settlement Fund
15 only if a Class Member had a net loss, after all profits from transactions in Terayon securities
16 during the Class Period are subtracted from all losses. However, the proceeds from sales of
17 securities of the same type which have been matched against securities of the same type held at
18 the beginning of the Class Period will not be used in the calculation of such net loss. No
19 distributions will be made to Authorized Claimants who would otherwise receive a distribution
20 of less than \$10.00.

21 **HOW YOU OBTAIN A PAYMENT — SUBMITTING A CLAIM FORM**

22 10. How Will I Obtain a Payment?

23 To qualify for payment, you must be an eligible Class Member, send in a valid claim
24 form, and properly document your claim as requested in the claim form. A claim form is
25 enclosed with this Notice. Read the instructions carefully, fill out the form, include all the
26 documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later
27 than _____, 2008.

1 11. When Will I Receive My Payment?

2 The Court will hold a hearing on September 18, 2008, to decide whether to approve the
3 settlement. If Judge Wilken approves the settlement, there may be appeals. It is always
4 uncertain whether these appeals can be resolved, and resolving them can take time, perhaps
5 several years. Everyone who sends in a claim form will be informed of the determination with
6 respect to their claim. Please be patient.

7 12. What Am I Giving Up to Receive a Payment or Stay in the Class?

8 Unless you timely and validly exclude yourself, you are staying in the Class, and that
9 means that you cannot sue, continue to sue, or be part of any other lawsuit against the
10 Defendants about the Released Claims in this case. It also means that all of the Court's orders
11 will apply to you and legally bind you and you will release your claims in this case against the
12 Defendants. The terms of the release are included in the claim form that is enclosed.

13 **EXCLUDING YOURSELF FROM THE SETTLEMENT**

14 If you do not want a payment from this settlement, but you want to keep the right to sue
15 or continue to sue the Defendants on your own for the Released Claims in this case, then you
16 must take steps to get out of the Class. This is called excluding yourself or is sometimes referred
17 to as opting out of the Class.

18 13. How Do I Get Out of the Class?

19 To exclude yourself from the Class, you must send a letter by mail stating that you want
20 to be excluded from *Mongeli v. Terayon Communication Systems, Inc.*, No. 3-06-CV-03936 MJJ
21 (N.D. Cal.). You must include your name, address, telephone number, your signature, and the
22 number and type of shares of Terayon securities you purchased between June 28, 2001 and
23 March 1, 2006, the number and type of securities sold during this time period, if any, and the
24 dates of such purchases and sales. You must mail your exclusion request postmarked no later
25 than August 28, 2008 to:

Terayon Communication Systems, Inc. Securities Litigation

c/o The Garden City Group, Inc.

PO Box 9257

Dublin, OH 43017-4657

Toll Free 1(888) 230-2185

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any settlement payment, and you cannot object to the settlement. You will not be legally bound by anything that happens in this lawsuit.

14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?

No. Unless you timely and validly exclude yourself, you give up any right to sue the Defendants for the Released Claims in this settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is August 28, 2008.

15. If I Exclude Myself, Can I Receive Money from This Settlement?

No. If you exclude yourself, do not send in a claim form. But, you may be able to sue, continue to sue, or be part of a different lawsuit involving the Released Claims against the Defendants.

THE LAWYERS REPRESENTING YOU

16. Do I Have a Lawyer in This Case?

The Court appointed the law firms of Saxena White P.A. and Kahn Gauthier Swick, LLC to represent you and other Class Members. These lawyers are called Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one, at your own expense.

1 17. How Will the Lawyers Be Paid?

2 Lead Counsel will ask the Court for attorneys' fees of no more than 1/3 of the Settlement
3 Fund and for reimbursement of their out-of-pocket expenses up to \$100,000 which were
4 advanced in connection with the litigation, which may include approximately \$3000 for
5 reimbursement for the lead plaintiff's time and expenses. Such sums as may be approved by the
6 Court will be paid from the Settlement Fund. Class Members are not personally liable for any
7 such fees or expenses.

8 The attorneys' fees and expenses requested will be the only payment to Lead Counsel for
9 their efforts in achieving this settlement and for their risk in undertaking this representation on a
10 wholly contingent basis. Lead Counsel have committed significant time and expenses in
11 litigating this case for the benefit of the Class since its inception in 2006. Lead Counsel has
12 invested substantial time and effort in prosecuting this case and has not been paid for their
13 services in conducting this litigation on behalf of the Lead Plaintiff and the Class, nor for their
14 substantial out-of-pocket expenses. The fee requested will compensate Lead Counsel for their
15 work in achieving the Settlement Fund and is well within the range of fees awarded to class
16 counsel under similar circumstances in other cases of this type. The Court may award less than
17 this amount.

18 **OBJECTING TO THE SETTLEMENT**

19 You can tell the Court that you do not agree with the settlement or some part of it.

20 18. How Do I Tell the Court that I Do Not Like the Settlement?

21 If you are a Class Member, you can object to the settlement if you do not like any part of
22 it, including the Plan of Allocation and the request for attorneys' fees. You can state the reasons
23 why you think the Court should not approve it. The Court will consider your views. To object,
24 you must send a letter saying that you object to the settlement in *Mongeli v. Terayon*
25 *Communication Systems, Inc.*, No. CV-03-03936 MJJ. Be sure to include your name, address,
26 telephone number, your signature, the number and type of Terayon securities purchased and sold
27 between June 28, 2001 and March 1, 2006 and the reasons you object. Any objection must be
28

1 mailed or delivered such that it is received by *each* of the following no later than August 28,
2 2008:

3 *Court:*

4 Clerk of the Court
5 UNITED STATES DISTRICT COURT
6 NORTHERN DISTRICT OF CALIFORNIA
7 United States Courthouse
8 1301 Clay Street,
9 Oakland, California 94612-5212

8 *Co-Lead Counsel for Lead Plaintiff:*

9 Joseph E. White III
10 SAXENA WHITE, P.A.
11 2424 North Federal Highway, Suite 257
12 Boca Raton, FL 33431
13 Tel: (561) 394-3399
14 Fax: (561) 394-3382

13 Lewis S. Kahn
14 Kahn Gauthier Swick
15 650 Poydras St.
16 Suite 2150
17 New Orleans, LA 70130

16 *Liaison Counsel:*

17 Michael D. Braun
18 BRAUN LAW GROUP, P.C.
19 12400 Wilshire Boulevard, Suite 920
20 Los Angeles, CA 90025
21 Tel: (561) 394-3399
22 Fax: (561) 394-3382

20 *Counsel for Terayon Communication Systems, Inc. and the Individual*
21 *Defendants:*

22 Patrick E. Gibbs
23 LATHAM & WATKINS LLP
24 140 Scott Drive
25 Menlo Park, CA 94025
26 Tel: (650) 328-4600
27 Fax: (650) 463-2600

25 *Counsel for Defendant Ernst & Young:*

26 John Hemann
27 MORGAN, LEWIS & BOCKIUS LLP
28 One Market
Spear Street Tower

San Francisco, CA 94105
Tel: (415) 442-1000
Fax: (415) 442-1001

19. What's the Difference Between Objecting and Excluding?

Objecting is simply telling the Court that you do not like something about the settlement. You can object *only if* you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak, but you do not have to.

20. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a fairness hearing at _____ .m., on September 18, 2008, at the United States Courthouse, 1301 Clay Street, Oakland, California. At this hearing the Court will consider whether the settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge Wilken will listen to people who have asked to speak at the hearing. The Court will also consider how much to pay to Lead Counsel. The Court may decide these issues at the hearing or take them under consideration. We do not know how long these decisions will take. The Court may change the date of the Settlement Hearing without providing further notice to you; however, the Court's calendar is publicly available on its website at <http://www.cand.uscourts.gov/>. You are encouraged to check the Court's website or contact Lead Counsel to verify the Settlement Hearing has not been changed.

21. Do I have to Come to the Hearing?

No. Lead Counsel will answer questions Judge Wilken may have. But, you are welcome to come, at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

1 22. May I Speak at the Hearing?

2 You may ask the Court for permission to speak at the fairness hearing. To do so, you
3 must send a letter saying that it is your intention to appear in *Mongeli v. Terayon Communication*
4 *Systems, Inc.*, No. 3-06-CV-03936 MJJ. Be sure to include your name, address, telephone
5 number, your signature, and the number and type of Terayon securities purchased between June
6 28, 2001 and March 1, 2006. Your notice of intention to appear must be postmarked no later
7 than September 8, 2008, and be sent to the Clerk of the Court, Lead Counsel, and Defendants'
8 counsel, at the three addresses listed in question 18. You cannot speak at the hearing if you
9 exclude yourself from the Class.

10 **IF YOU DO NOTHING**

11 23. What Happens if I Do Nothing at All?

12 If you do nothing, you will not receive any money from this settlement. But, unless you
13 exclude yourself, you won't be able to start a lawsuit, continue with a lawsuit, or be part of any
14 other lawsuit against the Defendants about the Released Claims in this case.

15 **GETTING MORE INFORMATION**

16 24. Are There More Details About the Settlement?

17 This Notice summarizes the proposed settlement. More details are in the Stipulation of
18 Settlement dated as of February 19, 2008. You can obtain a copy of the Stipulation of Settlement
19 by writing to Joseph E. White III, Saxena White, P.A., 2424 North Federal Highway, Suite 257,
20 Boca Raton, Florida 33431, or Lewis S. Kahn, Kahn Gauthier Swick, 650 Poydras St., Suite
21 2150, New Orleans, LA 70130, or by visiting the Clerk's office at the United States District
22 Court for the Northern District of California, 1301 Clay Street, Oakland, California during
23 regular business hours.

1 25. How Do I Get More Information?

2 You can call 1(888) 230-2185 or write to Joseph E. White III at Saxena White, P.A., or
3 Lewis S. Kahn at Kahn Gauthier Swick, 650 Poydras St., Suite 2150, New Orleans, LA 70130,
4 or visit the Settlement Administrator's website at <http://www.gardencitygroup.com>.

5
6 **THE PLAN OF ALLOCATION**

7 The Net Settlement Fund will be distributed to Class Members who submit valid, timely
8 Proof of Claim forms ("Authorized Claimants") under the Plan of Allocation described below.
9 The Plan of Allocation provides that you will be eligible to participate in the distribution of the
10 Net Settlement Fund only if you have a net loss on all transactions in Terayon common stock and
11 options during the Class Period.

12
13 Each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that
14 each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants.
15 Payment in this manner shall be deemed conclusive against all Authorized Claimants.

16
17 The total of all profits shall be subtracted from the total of all losses from transactions
18 during the Class Period to determine if a Class Member has a claim. Only if a Class Member
19 had a net loss, after all profits from transactions in Terayon Communications Systems common
20 stock during the Class Period are subtracted from all losses, will such Class Member be eligible
21 to receive a distribution from the Net Settlement Fund. Claims will be calculated as follows:

22
23 Section 10(b) Claims

24 Class Period June 28, 2001 through March 1, 2006

25 The Allocation below is based on the following price data:

26 November 7, 2005 Closing Price: \$2.57

27 November 8, 2005 Closing Price: \$2.25

November 8, 2005 Price Decline: \$0.32

January 10, 2006 Closing Price: \$2.06

January 11, 2006 Closing Price: \$2.00

January 11, 2006 Price Decline: \$0.06

March 1, 2006 Closing Price: \$2.70

March 2, 2006 Closing Price: \$2.33

March 2, 2006 Price Decline: \$0.37

1. For shares of Terayon Communications Systems common stock purchased on June 28, 2001 through November 7, 2005, and

a) Sold prior to November 8, 2005, the claim per share is \$0;

b) Sold from November 8, 2005 through January 10, 2006, the claim per share is the lesser of: (i) the purchase price less the sales price, or (ii) \$0.32 (November 8, 2005 price decline);

c) Sold from January 11, 2006 through March 1, 2006, the claim per share is the lesser of (i) the purchase price less the sales price, or (ii) \$0.38 (November 8, 2005 and January 11, 2006 price declines);

d) Retained at the end of March 1, 2006, the claim per share is the lesser of: (i) the purchase price less \$2.33 (March 2, 2006 closing price), or (ii) \$0.75 (November 8, 2005, January 11, 2006 and March 2, 2006 price declines).

2. For shares of Terayon Communications Systems common stock purchased on November 8, 2005 through January 10, 2006, and

a) Sold prior to January 11, 2006, the claim per share is \$0;

b) Sold from January 11, 2006 through March 1, 2006, the claim per share is the lesser of: (i) the purchase price less the sales price, or (ii) \$0.06 (January 11, 2006 price decline);

1 c) Retained at the end of March 1, 2006, the claim per share is the lesser of: (i) the
2 purchase price less \$2.33 (March 2, 2006 closing price), or (ii) \$0.43 (January 11, 2006 and
3 March 2, 2006 price declines).

4
5 3. For shares of Terayon Communications Systems common stock purchased on
6 January 11, 2006 through March 1, 2006, and

7 a) Sold no later than March 1, 2006, the claim per share is \$0;

8 b) Retained as of March 2, 2006, the claim per share is the lesser of: (i) the purchase
9 price less \$2.33 (March 2, 2006 closing price), or (ii) \$0.37 (March 2, 2006 price decline).

10 **Example #1:**

11 John Doe makes the following Class Period purchase and sale:

- 12 • He buys 1,000 shares on February 26, 2002 at \$5 per share.
- 13 • He sells 1,000 shares on December 30, 2005 at \$2.25 per share.

14 **Calculation:**

15 Step 1: Mr. Doe is eligible to receive money because he has "a net loss," and the Plan of
16 Allocation requires a net loss on all transactions in Terayon common stock and options during
17 the Class Period to be eligible to participate in the distribution of the Net Settlement Fund..

18 Step 2: Recovery per share for this claim will be the lesser of: (i) the purchase price minus the
19 sales price, or (ii) \$0.32 (the November 8, 2005 price decline), calculated according to p. 14,
20 Para. 1(b), because the purchase and sale dates are November 8, 2005 and January 10, 2006.

Step 3: The difference between the purchase price and the sale price is \$2.75 (\$5.00 - \$2.25). Therefore, the claim per share is \$0.32. The total value of this claim is 1,000 shares x \$0.32 or \$320.00.

Recognized Loss = \$320

Example #2:

At the beginning of the Class Period, Jane Doe already owns 300 shares. At the end of the Class Period she owns 500 shares. She also makes the following purchases and sales during the Class Period:

- She buys 200 shares on June 10, 2002 at \$2.50 per share (now she owns 500 total shares).
- She buys 500 shares on December 8, 2003 at \$5.00 per share (now she owns 1000 total shares).
- She sells 300 shares on March 4, 2004 at \$4.25 per share (now she owns 700 total shares).
- She sells 200 shares on September 20, 2005 at \$4.00 per share (now she owns 500 total shares).

Calculation:

Step 1: In this scenario, a method called the "First In First Out" (or "FIFO") will be used. Under FIFO, the shares that were purchased first are assumed to be sold completely before shares purchased later are sold. Note: Ms. Doe is eligible to receive a distribution because she has "a net loss." See p. 13, 2d Full Para.

Step 2: Applying FIFO, the first sale of 300 shares matches to the pre-Class Period holdings and this match up does not result in a recognized loss.

Step 3: Applying FIFO, the next matchup is the first purchase of 200 shares during the Class Period which matches to the sale of 200 shares on September 20, 2005. This matchup is calculated pursuant to p. 14, Para. 1(a) because of the purchase and sale dates. Accordingly, the

1 claim per share for these 200 shares is \$0, as sales prior to November 8, 2005 result in zero
2 recognized loss.

3
4 Step 4: Applying FIFO, the final matchup will be calculated pursuant to p. 14, Para. 1(d) because
5 of the purchase and sale dates. Accordingly, the claim per share is \$0.75. The total value of this
6 matchup is 500 shares x \$0.75 or \$375.00.

7
8 **Recognized Loss = \$375**

9 Call Options:

10
11 The amount of recognized claim for purchasers of Call Options on Terayon
12 Communications Systems common stock during the Class Period will be calculated as follows:

- 13
14 1) No claim will be recognized for any Terayon Communications Systems Call
15 Options purchased during the Class Period that were not owned as of the close of
16 trading on 11/7/05, 1/10/06 or 3/1/06.
- 17
18 2) For Terayon Communications Systems Call Options purchased during the Class
19 Period and owned as of the close of trading on 11/7/05, an authorized claimant's
20 recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between
21 (x) the amount paid for the Terayon Communications Systems Call Options
22 during the Class Period (including brokerage commissions and transaction
23 chargers)(the Purchase Price Paid or "PPP") and (y) the sum for which said
24 Terayon Communications Systems Call Options were subsequently sold at a loss
25 (after brokerage commissions & transaction chargers)(or \$0.00 if the Call Option
26 expired while still owned by the authorized claimant (the Sale Price Received or
27 "SPR"); or (b) \$0.02 (5% of the November 8, 2005 price decline).

1 3) For Terayon Communications Systems Call Options purchased during the Class
2 Period and owned as of the close of trading on 1/10/06, an authorized claimant's
3 recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between
4 the PPP and the SPR; or (b) \$0.01.

5
6 4) For Terayon Communications Systems Call Options purchased during the Class
7 Period and owned as of the close of trading on 3/1/06, an authorized claimant's
8 recognized claim shall be the lesser of (a) 5% of the difference, if a loss, between
9 the PPP and the SPR; or (b) \$0.02 (5% of the March 2, 2006 price decline).

10
11 5) No loss shall be recognized based on a sale or writing of any Call Options that
12 were subsequently repurchased.

13
14 NOTE: Shares of Terayon Communications Systems acquired during the Class Period
15 through the exercise of a Call Option shall be treated as a claim purchase on the date of exercise
16 for the exercise price plus the cost of the Call Option, and any recognized claim arising from
17 such transaction shall be computed as provided for other purchases of common stock.

18
19 Put Options:

20
21 The amount of recognized claim for sales (writing) of Put Options on Terayon
22 Communications Systems common stock during the Class Period will be calculated as follows:

23
24 1) No claim for any Put Options sold (written) during the Class Period that were not the
25 obligation of the claimant as of the close of trading on 11/7/05, 1/10/06 or 3/1/06.

26
27 2) For Terayon Communications Systems Put Options sold (written) during the Class
28 Period which were the obligation of the authorized claimant at the close of trading

1 on 11/7/05, an authorized claimant's recognized claim shall be the lesser of (a) 5%
2 of the difference, if a loss, between (x) the amount received for writing the Put
3 Option for the Terayon Communications Systems during the Class Period
4 (including brokerage commissions and transaction charges) (the "PPP") and (y) the
5 sum for which said Terayon Communications Systems Put Options were re-
6 purchased at a loss (after brokerage commissions & transaction charges)(or \$0.00 if
7 the Put Option expired while still owned by the authorized claimant (the "SPR"); or
8 (b) \$0.02 (5% of the November 8, 2005 price decline).

9
10 3) For Terayon Communications Systems Put Options sold (written) during the Class
11 Period which were the obligation of the authorized claimant at the close of trading
12 on 1/10/06, an authorized claimant's recognized claim shall be the lesser of (a) 5%
13 of the difference, if a loss, between the PPP and the SPR; or (b) \$0.01

14
15 4) For Terayon Communications Systems Put Options sold (written) during the Class
16 Period which were the obligation of the authorized claimant at the close of trading
17 on 3/1/06, an authorized claimant's recognized claim shall be the lesser of (a) 5% of
18 the difference, if a loss, between the PPP and the SPR; or (b) \$0.02 (5% of the
19 March 2, 2006 price decline).

20
21 5) No loss shall be recognized base on a sale of any Put Options that were previously
22 purchased.

23
24 NOTE: For Terayon Communications Put Options written during the Class Period that were
25 "Put" to the authorized claimant (i.e. exercised), the authorized claimant's recognized claim shall
26 be calculated as a purchase of common stock as shown above, and as if the sale of the Put Option
27 were instead a purchase of Terayon Communications Systems common stock on the date of the
28

1 sale of the Put Option, and the "purchase price paid" shall be the strike price less the proceeds
2 received at the sale of the Put Option.

3
4 ***DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE***

5 **SPECIAL NOTICE TO NOMINEES**

6 The Court has ordered that if you hold shares of any Terayon securities purchased
7 between June 28, 2001 and March 1, 2006 as nominee for a beneficial owner, then, within ten
8 (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first
9 class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to
10 the Claims Administrator:

11 *Terayon Communication Systems, Inc. Securities Litigation*

12 *c/o The Garden City Group, Inc.*

13 *PO Box 9257*

14 *Dublin, OH 43017-4657*

15
16 *1(888) 230-2185* If you choose to mail the Notice and Proof of Claim yourself, you may
17 obtain from the Claims Administrator (without cost to you) as many additional copies of these
18 documents as you will need to complete the mailing.

19 Regardless of whether you choose to complete the mailing yourself or elect to have the
20 mailing performed for you, you may obtain reimbursement for or advancement of reasonable
21 administrative costs actually incurred or expected to be incurred in connection with forwarding
22 the Notice and which would not have been incurred but for the obligation to forward the Notice,
23 upon submission of appropriate documentation to the Claims Administrator.

24
25 DATED: _____

26 BY ORDER OF THE COURT
27 UNITED STATES DISTRICT COURT
28 NORTHERN DISTRICT OF CALIFORNIA

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Deleted: LATHAM & WATKINS LLP
 Patrick E. Gibbs (SBN 183174)
 Jennie Foote Feldman (SBN 248375)
 140 Scott Drive
 Menlo Park, California 94025
 Telephone: (650) 328-4600
 Facsimile: (650) 463-2600
 Attorneys for Defendants Terayon
 Communication Systems, Inc., Zaki
 Rakib, Jerry D. Chase, Mark A. Richman,
 Edward Lopez, Ray Fritz, Carol
 Lustenader, Matthew Miller, Shlomo
 Rakib, Doug Sabella, Christopher
 Schaepe, Mark Slaven, Lewis Solomon,
 Howard W. Speaks, Arthur T. Taylor,
 and David Woodrow

BRAUN LAW GROUP, P.C.	KAHN GAUTHIER SWICK, LLC
Michael D. Braun (S.B.N. 167416)	Michael A. Swick
12304 Santa Monica Blvd., Ste. 109,	Kim E. Miller (S.B.N. 178370)
Los Angeles, CA 90025	114 E. 39 th St.
Tel: (310) 442-7755	New York, NY 10016
Fax: (310) 442-7756	Tel: (212) 920-4310
Liaison Counsel	Lead Counsel for Lead Plaintiff and Class
KAHN GAUTHIER SWICK, LLC	SAXENA WHITE P.A.
Lewis S. Kahn	Maya Saxena
650 Poydras Street, Suite 2150	Joseph E. White, III
New Orleans, LA 70130	2424 N. Federal Highway, Suite 257
Tel: (504) 455-1400	Boca Raton, FL 33431
Fax: (504) 455-1498	Tel: (561) 394-3399
Lead Counsel for Lead Plaintiff and Class	Lead Counsel for Lead Plaintiff and Class

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UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

ADRIAN MONGELI, Individually, And On) Behalf Of All Others Similarly Situated,) Plaintiffs,) v.) TERAYON COMMUNICATION SYSTEMS,) INC., ZAKI RAKIB, JERRY D. CHASE,) MARK A. RICHMAN, EDWARD LOPEZ,) RAY FRITZ, CAROL LUSTENADER,) MATTHEW MILLER, SHLOMO RAKIB,) DOUG SABELLA, CHRISTOPHER) SCHAEPE, MARK SLAVEN, LEWIS) SOLOMON, HOWARD W. SPEAKS,) ARTHUR T. TAYLOR, DAVID) WOODROW, and ERNST & YOUNG, LLP,) Defendants.)	CASE NO.: 3-06-CV-03936 CW CLASS ACTION SUMMARY NOTICE EXHIBIT A-2
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Deleted: LATHAM & WATKINS
 ATTORNEYS AT LAW
 LOS ANGELES

SUMMARY NOTICE - 3-06-CV-03936 MJJ

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Deleted: {}LATHAM & WATKINS LLP
ATTORNEYS AT LAW
LOS ANGELES

TO: ALL PERSONS WHO PURCHASED THE PUBLICLY-TRADED SECURITIES OF
TERAYON COMMUNICATION SYSTEMS, INC. ("TERAYON") BETWEEN JUNE
28, 2001 AND MARCH 1, 2006

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District
Court for the Northern District of California, that a hearing will be held on September 18, 2008,
at _____.m., before the Honorable Claudia Wilken at the United States Courthouse, 1301 Clay
Street, Oakland, CA 94612-5212, for the purpose of determining (1) whether the proposed
settlement of the claims in the Litigation for the sum of \$2,730,000 in cash should be approved
by the Court as fair, reasonable and adequate; (2) whether, after the hearing, this Litigation
should be dismissed with prejudice pursuant to the terms and conditions set forth in the
Stipulation of Settlement dated as of February 19, 2008; (3) whether the Plan of Allocation is
fair, reasonable and adequate and should be approved; and (4) whether the application of Lead
Counsel for the payment of attorneys' fees and reimbursement of expenses incurred in this
Litigation should be approved.

The Court may change the date of the Settlement Hearing without providing further
notice to you; however, the Court's calendar is publicly available on its website at
<http://www.cand.uscourts.gov/>. You are encouraged to check the Court's website or contact
Lead Counsel to verify the Settlement Hearing has not been changed.

If you purchased the publicly-traded securities of Terayon between June 28, 2001 and
March 1, 2006, your rights may be affected by the settlement of this Litigation. If you have not
received a detailed Notice of Pendency and Proposed Settlement of Class Action ("Notice") and
a copy of the Proof of Claim and Release, you may obtain copies by writing to:

Terayon Communication Systems, Inc. Securities Litigation
c/o The Garden City Group, Inc.
PO Box 9257
Dublin, OH 43017-4657
Toll Free 1(888) 230-2185;

Deleted: _____.

Deleted: Martin J. Jenkins

Deleted: 450 Golden Gate Avenue, San
Francisco, California

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c/o [claims administrator]

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ATTORNEYS AT LAW
LOS ANGELES

If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release postmarked no later than _____, 2008, establishing that you are entitled to recovery.

If you desire to be excluded from the Class, you must submit a Request for Exclusion postmarked by August 28, 2008, in the manner and form explained in the detailed Notice referred to above. All Members of the Class who have not timely and validly requested exclusion from the Class will be bound by any judgment entered in the Litigation pursuant to the terms and conditions of the Stipulation of Settlement.

Any objection to the settlement must be mailed or delivered such that it is received by each of the following no later than August 28, 2008:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
1301 Clay Street

Oakland, CA 94612-5212

Co-Lead Counsel for Plaintiffs:
SAXENA WHITE, P.A.
JOSEPH E. WHITE, III
2424 North Federal Highway, Suite 257
Boca Raton, FL 33431

KAHN GAUTHIER SWICK LLC
LEWIS S. KAHN
650 Poydras St., Suite 2150
New Orleans, LA 70130

Liaison Counsel for Plaintiff and the Class:
BRAUN LAW GROUP, P.C.
MICHAEL D. BRAUN
12400 Wilshire Blvd., Suite 920
Los Angeles, CA 90025

Counsel for Defendants:
LATHAM & WATKINS LLP
PATRICK E. GIBBS
140 Scott Drive
Menlo Park, CA 94025

Counsel for Defendants Ernst & Young:

Deleted: _____.

Deleted: _____.

Deleted: United States Courthouse
450 Golden Gate Avenue
San Francisco, CA 94102

Deleted: {}LATHAM & WATKINS LLP
ATTORNEYS AT LAW
LOS ANGELES

MORGAN LEWIS & BOCKIUS LLP
JOHN HEMANN
One Market
Spear Street Tower
San Francisco, CA 94105

**PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING
THIS NOTICE.** If you have any questions about the settlement, you may contact Lead Counsel
for Plaintiffs at the address listed above.

DATED: _____

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

Deleted: {}LATHAM & WATKINS LLP
ATTORNEYS AT LAW
LOS ANGELES

BRAUN LAW GROUP, P.C.

Michael D. Braun (S.B.N. 167416)
12304 Santa Monica Blvd., Ste. 109
Los Angeles, CA 90025
Tel: (310) 442-7755
Fax: (310) 442-7756

Liaison Counsel

KAHN GAUTHIER SWICK, LLC

Michael A. Swick
Kim E. Miller (S.B.N. 178370)
114 E. 39th St.
New York, NY 10016
Tel: (212) 920-4310

Lead Counsel for Lead Plaintiff and Class

KAHN GAUTHIER SWICK, LLC

Lewis S. Kahn
650 Poydras Street, Suite 2150
New Orleans, LA 70130
Tel: (504) 455-1400
Fax: (504) 455-1498

Lead Counsel for Lead Plaintiff and Class

SAXENA WHITE P.A.

Maya Saxena
Joseph E. White, III
2424 N. Federal Highway, Suite 257
Boca Raton, FL 33431
Tel: (561) 394-3399

Lead Counsel for Lead Plaintiff and Class

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ADRIAN MONGELI, Individually, And On)
Behalf Of All Others Similarly Situated,)

Plaintiffs,)

v.)

TERAYON COMMUNICATION SYSTEMS,)
INC., ZAKI RAKIB, JERRY D. CHASE,)
MARK A. RICHMAN, EDWARD LOPEZ,)
RAY FRITZ, CAROL LUSTENADER,)
MATTHEW MILLER, SHLOMO RAKIB,)
DOUG SABELLA, CHRISTOPHER)
SCHAEPE, MARK SLAVEN, LEWIS)
SOLOMON, HOWARD W. SPEAKS,)
ARTHUR T. TAYLOR, DAVID)
WOODROW, and ERNST & YOUNG, LLP,)

Defendants.)

CASE NO.: 3-06-CV-03936 CW

CLASS ACTION

SUMMARY NOTICE

EXHIBIT A-2

1 TO: ALL PERSONS WHO PURCHASED THE PUBLICLY-TRADED SECURITIES OF
2 TERAYON COMMUNICATION SYSTEMS, INC. ("TERAYON") BETWEEN JUNE
3 28, 2001 AND MARCH 1, 2006

4 YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District
5 Court for the Northern District of California, that a hearing will be held on September 18, 2008,
6 at _____.m., before the Honorable Claudia Wilken at the United States Courthouse, 1301 Clay
7 Street, Oakland, CA 94612-5212, for the purpose of determining (1) whether the proposed
8 settlement of the claims in the Litigation for the sum of \$2,730,000 in cash should be approved
9 by the Court as fair, reasonable and adequate; (2) whether, after the hearing, this Litigation
10 should be dismissed with prejudice pursuant to the terms and conditions set forth in the
11 Stipulation of Settlement dated as of February 19, 2008; (3) whether the Plan of Allocation is
12 fair, reasonable and adequate and should be approved; and (4) whether the application of Lead
13 Counsel for the payment of attorneys' fees and reimbursement of expenses incurred in this
14 Litigation should be approved.

15 The Court may change the date of the Settlement Hearing without providing further
16 notice to you; however, the Court's calendar is publicly available on its website at
17 <http://www.cand.uscourts.gov/>. You are encouraged to check the Court's website or contact
18 Lead Counsel to verify the Settlement Hearing has not been changed.

19 If you purchased the publicly-traded securities of Terayon between June 28, 2001 and
20 March 1, 2006, your rights may be affected by the settlement of this Litigation. If you have not
21 received a detailed Notice of Pendency and Proposed Settlement of Class Action ("Notice") and
22 a copy of the Proof of Claim and Release, you may obtain copies by writing to:

23 *Terayon Communication Systems, Inc. Securities Litigation*
24 *c/o The Garden City Group, Inc.*
PO Box 9257
Dublin, OH 43017-4657
25 *Toll Free 1(888) 230-2185 .*

26 If you are a Class Member, in order to share in the distribution of the Net Settlement
27 Fund, you must submit a Proof of Claim and Release postmarked no later than _____, 2008,
28 establishing that you are entitled to recovery.

1 If you desire to be excluded from the Class, you must submit a Request for Exclusion
2 postmarked by August 28, 2008, in the manner and form explained in the detailed Notice
3 referred to above. All Members of the Class who have not timely and validly requested
4 exclusion from the Class will be bound by any judgment entered in the Litigation pursuant to the
5 terms and conditions of the Stipulation of Settlement.

6 Any objection to the settlement must be mailed or delivered such that it is received by
7 each of the following no later than August 28, 2008:

8 CLERK OF THE COURT
9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
1301 Clay Street

11 Oakland, CA 94612-5212

12 *Co-Lead Counsel for Plaintiffs:*
13 SAXENA WHITE, P.A.
14 JOSEPH E. WHITE, III
2424 North Federal Highway, Suite 257
15 Boca Raton, FL 33431

16 KAHN GAUTHIER SWICK LLC
17 LEWIS S. KAHN
650 Poydras St., Suite 2150
18 New Orleans, LA 70130

19 *Liaison Counsel for Plaintiff and the Class:*
BRAUN LAW GROUP, P.C.
20 MICHAEL D. BRAUN
12400 Wilshire Blvd., Suite 920
21 Los Angeles, CA 90025

22 *Counsel for Defendants:*
LATHAM & WATKINS LLP
23 PATRICK E. GIBBS
140 Scott Drive
24 Menlo Park, CA 94025

25 *Counsel for Defendants Ernst & Young:*
26 MORGAN LEWIS & BOCKIUS LLP
JOHN HEMANN
27 One Market
Spear Street Tower
28 San Francisco, CA 94105

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PLEASE DO NOT CONTACT THE COURT OR THE CLERK’S OFFICE REGARDING THIS NOTICE. If you have any questions about the settlement, you may contact Lead Counsel for Plaintiffs at the address listed above.

DATED: _____

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

Deleted: LATHAM & WATKINS LLP
 Patrick E. Gibbs (SBN 183174)
 Jennie Foote Feldman (SBN 248375)
 140 Scott Drive
 Menlo Park, California 94025
 Telephone: (650) 328-4600
 Facsimile: (650) 463-2600
 Attorneys for Defendants Terayon
 Communication Systems, Inc., Zaki
 Rakib, Jerry D. Chase, Mark A. Richman,
 Edward Lopez, Ray Fritz, Carol
 Lustenader, Matthew Miller, Shlomo
 Rakib, Doug Sabella, Christopher
 Schaepe, Mark Slaven, Lewis Solomon,
 Howard W. Speaks, Arthur T. Taylor,
 and David Woodrow

BRAUN LAW GROUP, P.C.	KAHN GAUTHIER SWICK, LLC
Michael D. Braun (S.B.N. 167416)	Michael A. Swick
12400 Wilshire Blvd., Ste. 920	Kim E. Miller (S.B.N. 178370)
Los Angeles, CA 90025	114 E. 39 th St.
Tel: (310) 442-7755	New York, NY 10016
Fax: (310) 442-7756	Tel: (212) 920-4310
Liaison Counsel	Lead Counsel for Lead Plaintiff and Class

KAHN GAUTHIER SWICK, LLC	SAXENA WHITE P.A.
Lewis S. Kahn	Maya Saxena
650 Poydras Street, Suite 2150	Joseph E. White, III
New Orleans, LA 70130	2424 N. Federal Highway, Suite 257
Tel: (504) 455-1400	Boca Raton, FL 33431
Fax: (504) 455-1498	Tel: (561) 394-3399
Lead Counsel for Lead Plaintiff and Class	Lead Counsel for Lead Plaintiff and Class

UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

ADRIAN MONGELI, Individually, And On)
 Behalf Of All Others Similarly Situated,)
 Plaintiffs,)

v.)

TERAYON COMMUNICATION SYSTEMS,)
 INC., ZAKI RAKIB, JERRY D. CHASE,)
 MARK A. RICHMAN, EDWARD LOPEZ,)
 RAY FRITZ, CAROL LUSTENADER,)
 MATTHEW MILLER, SHLOMO RAKIB,)
 DOUG SABELLA, CHRISTOPHER)
 SCHAEPE, MARK SLAVEN, LEWIS)
 SOLOMON, HOWARD W. SPEAKS,)
 ARTHUR T. TAYLOR, DAVID)
 WOODROW, and ERNST & YOUNG, LLP,)
 Defendants.)

CASE NO.: 3-06-CV-03936 CW

CLASS ACTION

**[PROPOSED] ORDER
 PRELIMINARILY APPROVING
 SETTLEMENT AND PROVIDING FOR
 NOTICE**

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Deleted: LATHAM & WATKINS
 ATTORNEYS AT LAW
 LOS ANGELES

~~[PROPOSED] ORDER PRELIMINARILY APPROVING SETTLEMENT AND PROVIDING FOR NOTICE~~
 3-06-CV-03936 MJJ

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ATTORNEYS AT LAW
LOS ANGELES

1 WHEREAS, a class action is pending before the Court entitled *Mongeli v. Terayon*
 2 *Communication Systems, Inc.*, No. 3-06-CV-03936 MJJ (the “Litigation”);

3 WHEREAS, the Court has received the Stipulation of Settlement dated as of February 19,
 4 2008 (the “Stipulation”), that has been entered into by the Lead Plaintiff and Defendants, and the
 5 Court has reviewed the Stipulation and its attached Exhibits;

6 WHEREAS, the parties having made application, pursuant to Federal Rule of Civil
 7 Procedure 23(e), for an order preliminarily approving the settlement of this Litigation, in
 8 accordance with the Stipulation which, together with the Exhibits annexed thereto sets forth the
 9 terms and conditions for a proposed settlement of the Litigation and for dismissal of the
 10 Litigation with prejudice upon the terms and conditions set forth therein; and the Court having
 11 read and considered the Stipulation and the Exhibits annexed thereto; and

12 WHEREAS, all defined terms contained herein shall have the same meanings as set forth
 13 in the Stipulation;

14 NOW, THEREFORE, IT IS HEREBY ORDERED:

15 1. The Court does hereby preliminarily approve the Stipulation and the settlement
 16 set forth therein, subject to further consideration at the Settlement Hearing described below.

17 2. A hearing (the “Settlement Hearing”) shall be held before this Court on
 18 September 18, 2008, at __: __ __.m., at the United States Courthouse, 1301 Clay Street, Oakland,
 19 California 94612-5212, to determine whether the proposed settlement of the Litigation on the
 20 terms and conditions provided for in the Stipulation is fair, reasonable and adequate to the Class
 21 and should be approved by the Court; whether a Judgment as provided in ¶1.14 of the Stipulation
 22 should be entered herein; whether the proposed Plan of Allocation should be approved; and to
 23 determine the amount of fees and expenses that should be awarded to Lead Counsel. The Court
 24 may adjourn the Settlement Hearing without further notice to Members of the Class.

25 3. The Court approves, as to form and content, the Notice of Pendency and Proposed
 26 Settlement of Class Action (the “Notice”), the Proof of Claim and Release form (the “Proof of
 27 Claim”), and Summary Notice for publication annexed as Exhibits A-1, A-2 and A-3 hereto, and
 28 finds that the mailing and distribution of the Notice and publishing of the Summary Notice

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Deleted: 450 Golden Gate Avenue, San
 Francisco, California

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 ATTORNEYS AT LAW
 LOS ANGELES

1 substantially in the manner and form set forth in ¶¶4-5 of this Order meet the requirements of
 2 Federal Rule of Civil Procedure 23 and due process, and is the best notice practicable under the
 3 circumstances and shall constitute due and sufficient notice to all Persons entitled thereto.

4 Pursuant to Rule 53(c) of the Federal Rules of Civil Procedure, the Court appoints
 5 The Garden City Group, Inc. ("Claims Administrator") to supervise and administer the notice
 6 procedure as well as the processing of claims as more fully set forth below:

7 (a) Not later than ten (10) days from the entry of this order (the "Notice
 8 Date"), Lead Counsel shall cause a copy of the Notice and the Proof of Claim, substantially in
 9 the forms annexed as Exhibits A-1 and A-2 hereto, to be mailed by first class mail to all Class
 10 Members who can be identified through the Transfer Agent of Terayon Securities and
 11 communication with the Nominees as discussed in paragraph 5 below;

12 (b) Also on the Notice Date, Lead Counsel shall cause the Summary Notice
 13 to be published once in the print and on-line edition of the Investor's Business Daily and issued
 14 electronically over a widely disseminated media wire service over the internet; and

15 (c) At least fourteen (14) calendar days after the issuance of the Notice and
 16 publishing of the Summary Notice, Lead Counsel shall file with the Court proof, by declaration,
 17 of such mailing and publishing, which shall include information describing the websites such
 18 notice was delivered to.

19 5. Nominees who purchased Terayon publicly-traded securities between June 28,
 20 2001 and March 1, 2006, shall send the Notice and the Proof of Claim to all beneficial owners of
 21 such Terayon securities within ten (10) days after receipt thereof, or send a list of the names and
 22 addresses of such beneficial owners to the Claims Administrator within ten (10) days of receipt
 23 thereof, in which event the Claims Administrator shall promptly mail the Notice and the Proof of
 24 Claim to such beneficial owners. Lead Counsel shall, if requested, reimburse banks, brokerage
 25 houses or other nominees solely for their reasonable out-of-pocket expenses incurred in
 26 providing notice to beneficial owners who are Class Members out of the Class Notice and
 27 Administration Fund, which expenses would not have been incurred except for the sending of
 28

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ATTORNEYS AT LAW
LOS ANGELES

1 such notice, subject to further order of this Court with respect to any dispute concerning such
2 compensation.

3 6. All Members of the Class shall be bound by all determinations and judgments in
4 the Litigation concerning the settlement, whether favorable or unfavorable to the Class.

5 7. Class Members who wish to participate in the settlement shall complete and
6 submit Proof of Claim forms in accordance with the instructions contained therein. Unless the
7 Court orders otherwise, all Proof of Claim forms must be postmarked no later than ninety (90)
8 days from the Notice Date. Any Class Member who does not timely submit a Proof of Claim
9 within the time provided for shall be barred from sharing in the distribution of the proceeds of
10 the Net Settlement Fund, unless otherwise ordered by the Court.

11 8. Any Person who desires to request exclusion from the Class shall do so within the
12 time set forth and in the manner described in the Notice. All Persons who submit valid and
13 timely requests for exclusion in the manner set forth in the Notice shall have no rights under the
14 Stipulation, shall not share in the distribution of the Net Settlement Fund, and shall not be bound
15 by the Stipulation or the Judgment entered in the Litigation.

16 9. Any Member of the Class may enter an appearance in the Litigation, at their own
17 expense, individually or through counsel of their own choice. If they do not enter an appearance,
18 they will be represented by Lead Counsel.

19 10. Any Member of the Class may appear and show cause, if he, she or it has any
20 reason, why the proposed settlement of the Litigation should or should not be approved as fair,
21 reasonable and adequate, why a judgment should or should not be entered thereon, why the Plan
22 of Allocation should or should not be approved, or why attorneys' fees and expenses should or
23 should not be awarded to Lead Counsel; provided, however, that no Class Member or any other
24 Person shall be heard or entitled to contest the approval of the terms and conditions of the
25 proposed settlement, or, if approved, the Judgment to be entered thereon approving the same, or
26 the order approving the Plan of Allocation, or the attorneys' fees and expenses to be awarded to
27 Lead Counsel, unless that Person has delivered by first class mail written objections and copies
28 of any papers and briefs such that they are received on or before August 28, 2008, by: Saxena

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ATTORNEYS AT LAW
LOS ANGELES

1 White, P.A., c/o Joseph E. White III, 2424 North Federal Highway, Suite 257, Boca Raton, FL
 2 33431, Kahn Gauthier Swick, c/o Lewis S. Kahn, 650 Poydras St., Suite 2150, New Orleans, LA
 3 70130, Morgan, Lewis & Bockius LLP, c/o John Hemann One Market Spear Street Tower, San
 4 Francisco, CA 94105, and Latham & Watkins LLP, c/o Patrick E. Gibbs, 140 Scott Drive, Menlo
 5 Park, CA 94025, and filed these objections, papers and briefs with the Clerk of the United States
 6 District Court for the Northern District of California, on or before August 28, 2008. Any
 7 Member of the Class who does not make his, her or its objection in the manner provided shall be
 8 deemed to have waived such objection and shall forever be foreclosed from making any
 9 objection to the fairness or adequacy of the proposed settlement as set forth in the Stipulation, to
 10 the Plan of Allocation, or to the award of attorneys' fees and expenses to Lead Counsel, unless
 11 otherwise ordered by the Court.

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12 11. All funds held by the Escrow Agent shall be deemed and considered to be in the
 13 custody of the Court, and shall remain subject to the jurisdiction of the Court, until such time as
 14 such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

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15 12. All papers in support of the settlement, the Plan of Allocation, and the application
 16 by Lead Counsel for attorneys' fees or reimbursement of expenses shall be filed and served
 17 fourteen (14) calendar days before the Settlement Hearing.

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18 13. Neither the Defendants nor their Related Parties shall have any responsibility for
 19 or liability with respect to the Plan of Allocation or any application for attorneys' fees or
 20 reimbursement of expenses submitted by Lead Counsel, and such matters will be considered
 21 separately from the fairness, reasonableness and adequacy of the settlement.

22 14. At or after the Settlement Hearing, the Court shall determine whether the Plan of
 23 Allocation proposed by Lead Counsel, and any application for attorneys' fees or reimbursement
 24 of expenses shall be approved.

25 15. All reasonable expenses incurred in identifying and notifying Class Members, as
 26 well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the
 27 event the settlement is not approved by the Court, or otherwise fails to become effective, neither
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ATTORNEYS AT LAW
LOS ANGELES

1 the Lead Plaintiff nor Lead Counsel shall have any obligation to repay any amounts actually and
2 properly disbursed from the Class Notice and Administration Fund.

3 16. Neither the Stipulation, nor any of its terms or provisions, nor any of the
4 negotiations or proceedings connected with it, shall be construed as an admission or concession
5 by Defendants or their Related Parties of the truth of any of the allegations in the Litigation, or of
6 any liability, fault, or wrongdoing of any kind and shall not be construed as, or deemed to be
7 evidence of or an admission or concession that Lead Plaintiff or any Class Members have
8 suffered any damages, harm, or loss.

9 17. In the event that the settlement does not become effective in accordance with the
10 terms of the Stipulation or the Effective Date does not occur, or in the event that the Settlement
11 Fund, or any portion thereof, is returned to the Defendants, then this Order shall be rendered null
12 and void to the extent provided by and in accordance with the Stipulation and shall be vacated
13 and, in such event, all orders entered and releases delivered in connection herewith shall be null
14 and void to the extent provided by and in accordance with the Stipulation.

15 18. The Court reserves the right to continue the Settlement Hearing without further
16 notice to the Members of the Class, and retains jurisdiction to consider all further applications
17 arising out of or connected with the proposed settlement. Should the Court continue the
18 Settlement Hearing, such a continuance will be reflected in the Court's calendar and accessible
19 via the Court's website. Also, Lead Counsel shall publish over the same widely disseminating
20 news wire as used to publish the Summary Notice, a press release informing Class Members of
21 the change. The Court may approve the settlement, with such modifications as may be agreed to
22 by the Settling Parties, if appropriate, without further notice to the Class.

23
24 DATED: _____

25 THE HONORABLE CLAUDIA WILKEN
26 UNITED STATES DISTRICT JUDGE
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ATTORNEYS AT LAW
LOS ANGELES

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Respectfully submitted,

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Dated: _____

SAXENA WHITE P.A.
MAYA SAXENA
JOSEPH E. WHITE III

JOSEPH E. WHITE, III

2424 North Federal Highway, Suite 257
Boca Raton, FL 33431
Tel: (561) 394-3399
Fax: (561) 394-3382

Counsel for Lead Plaintiff and the Class

Dated: _____

KAHN GAUTHIER SWICK, LLC
LEWIS S. KAHN

LEWIS S. KAHN

650 Poydras St, Suite 2150
New Orleans, LA 70130
Tel: 504/455-1400
Fax: 504/455-1498

Deleted: 12 E 41st St, 12th Floor¶
New York, NY 10017¶
Tel: 212/696-3730

Counsel for Plaintiff and the Class

Dated: _____

BRAUN LAW GROUP, P.C.
MICHAEL D. BRAUN

MICHAEL D. BRAUN

12400 Wilshire Blvd., Suite 920
Los Angeles, CA 90025
Tel: 310/442-7755
Fax: 310/442-7756

Liaison Counsel for Plaintiff and the Class

Deleted: {}

Deleted: LATHAM+WATKINS^{LLP}
ATTORNEYS AT LAW
LOS ANGELES

1 LATHAM & WATKINS LLP
2 Dated: _____ PATRICK E. GIBBS
3 JENNIE FOOTE FELDMAN

4 _____
PATRICK E. GIBBS

5 140 Scott Drive
6 Menlo Park, CA 94025
7 Tel: 650/328-4600
8 Fax: 650/463-2600
Counsel for Defendants

9 MORGAN, LEWIS & BOCKIUS LLP
10 Dated: _____ MICHAEL J. LAWSON
11 SHEILA A. JAMBEKAR

12 _____
JOHN HEMANN

13 One Market
14 Spear Street Tower
15 San Francisco, CA 94105
16 Tel: 415/442-1000
17 Fax: 415/442-1001
18 Counsel for Defendant Ernst & Young LLP

Deleted: Patrick E. Gibbs

19 Filer's Attestation: Pursuant to General Order No. 45, Section X(B), Michael Braun hereby
20 attests that concurrence in the filing of this document has been obtained.
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Deleted: LATHAM & WATKINS LLP
ATTORNEYS AT LAW
LOS ANGELES

BRAUN LAW GROUP, P.C.

Michael D. Braun (S.B.N. 167416)
12304 Santa Monica Blvd., Ste. 920
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Fax: (310) 442-7756
Liaison Counsel

KAHN GAUTHIER SWICK, LLC

Michael A. Swick
Kim E. Miller (S.B.N. 178370)
114 E. 39th St.
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Tel: (212) 920-4310
Lead Counsel for Lead Plaintiff and Class

KAHN GAUTHIER SWICK, LLC

Lewis S. Kahn
650 Poydras Street, Suite 2150
New Orleans, LA 70130
Tel: (504) 455-1400
Fax: (504) 455-1498
Lead Counsel for Lead Plaintiff and Class

SAXENA WHITE P.A.

Maya Saxena
Joseph E. White, III
2424 N. Federal Highway, Suite 257
Boca Raton, FL 33431
Tel: (561) 394-3399
Lead Counsel for Lead Plaintiff and Class

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ADRIAN MONGELI, Individually, And On)
Behalf Of All Others Similarly Situated,)

Plaintiffs,)

v.)

TERAYON COMMUNICATION SYSTEMS,)
INC., ZAKI RAKIB, JERRY D. CHASE,)
MARK A. RICHMAN, EDWARD LOPEZ,)
RAY FRITZ, CAROL LUSTENADER,)
MATTHEW MILLER, SHLOMO RAKIB,)
DOUG SABELLA, CHRISTOPHER)
SCHAEPE, MARK SLAVEN, LEWIS)
SOLOMON, HOWARD W. SPEAKS,)
ARTHUR T. TAYLOR, DAVID)
WOODROW, and ERNST & YOUNG, LLP,)

Defendants.)

CASE NO.: 3-06-CV-03936 CW

CLASS ACTION

**[PROPOSED] ORDER
PRELIMINARILY APPROVING
SETTLEMENT AND PROVIDING FOR
NOTICE**

1 WHEREAS, a class action is pending before the Court entitled *Mongeli v. Terayon*
2 *Communication Systems, Inc.*, No. 3-06-CV-03936 MJJ (the “Litigation”);

3 WHEREAS, the Court has received the Stipulation of Settlement dated as of February 19,
4 2008 (the “Stipulation”), that has been entered into by the Lead Plaintiff and Defendants, and the
5 Court has reviewed the Stipulation and its attached Exhibits;

6 WHEREAS, the parties having made application, pursuant to Federal Rule of Civil
7 Procedure 23(e), for an order preliminarily approving the settlement of this Litigation, in
8 accordance with the Stipulation which, together with the Exhibits annexed thereto sets forth the
9 terms and conditions for a proposed settlement of the Litigation and for dismissal of the
10 Litigation with prejudice upon the terms and conditions set forth therein; and the Court having
11 read and considered the Stipulation and the Exhibits annexed thereto; and

12 WHEREAS, all defined terms contained herein shall have the same meanings as set forth
13 in the Stipulation;

14 NOW, THEREFORE, IT IS HEREBY ORDERED:

15 1. The Court does hereby preliminarily approve the Stipulation and the settlement
16 set forth therein, subject to further consideration at the Settlement Hearing described below.

17 2. A hearing (the “Settlement Hearing”) shall be held before this Court on
18 September 18, 2008, at __:__ __.m., at the United States Courthouse, 1301 Clay Street, Oakland,
19 California 94612-5212 , to determine whether the proposed settlement of the Litigation on the
20 terms and conditions provided for in the Stipulation is fair, reasonable and adequate to the Class
21 and should be approved by the Court; whether a Judgment as provided in ¶1.14 of the Stipulation
22 should be entered herein; whether the proposed Plan of Allocation should be approved; and to
23 determine the amount of fees and expenses that should be awarded to Lead Counsel. The Court
24 may adjourn the Settlement Hearing without further notice to Members of the Class.

25 3. The Court approves, as to form and content, the Notice of Pendency and Proposed
26 Settlement of Class Action (the “Notice”), the Proof of Claim and Release form (the “Proof of
27 Claim”), and Summary Notice for publication annexed as Exhibits A-1, A-2 and A-3 hereto, and
28 finds that the mailing and distribution of the Notice and publishing of the Summary Notice

1 substantially in the manner and form set forth in ¶¶4-5 of this Order meet the requirements of
2 Federal Rule of Civil Procedure 23 and due process, and is the best notice practicable under the
3 circumstances and shall constitute due and sufficient notice to all Persons entitled thereto.

4 4. Pursuant to Rule 53(c) of the Federal Rules of Civil Procedure, the Court appoints
5 The Garden City Group, Inc. ("Claims Administrator") to supervise and administer the notice
6 procedure as well as the processing of claims as more fully set forth below:

7 (a) Not later than ten (10) days from the entry of this order (the "Notice
8 Date"), Lead Counsel shall cause a copy of the Notice and the Proof of Claim, substantially in
9 the forms annexed as Exhibits A-1 and A-2 hereto, to be mailed by first class mail to all Class
10 Members who can be identified through the Transfer Agent of Terayon Securities and
11 communication with the Nominees as discussed in paragraph 5 below.;

12 (b) Also on the Notice Date, , Lead Counsel shall cause the Summary Notice
13 to be published once in the print and on-line edition of the *Investor's Business Daily* and issued
14 electronically over a widely disseminated media wire service over the internet; and

15 (c) At least fourteen (14) calendar days after the issuance of the Notice and
16 publishing of the Summary Notice, Lead Counsel shall file with the Court proof, by declaration,
17 of such mailing and publishing, which shall include information describing the websites such
18 notice was delivered to.

19 5. Nominees who purchased Terayon publicly-traded securities between June 28,
20 2001 and March 1, 2006, shall send the Notice and the Proof of Claim to all beneficial owners of
21 such Terayon securities within ten (10) days after receipt thereof, or send a list of the names and
22 addresses of such beneficial owners to the Claims Administrator within ten (10) days of receipt
23 thereof, in which event the Claims Administrator shall promptly mail the Notice and the Proof of
24 Claim to such beneficial owners. Lead Counsel shall, if requested, reimburse banks, brokerage
25 houses or other nominees solely for their reasonable out-of-pocket expenses incurred in
26 providing notice to beneficial owners who are Class Members out of the Class Notice and
27 Administration Fund, which expenses would not have been incurred except for the sending of
28

1 such notice, subject to further order of this Court with respect to any dispute concerning such
2 compensation.

3 6. All Members of the Class shall be bound by all determinations and judgments in
4 the Litigation concerning the settlement, whether favorable or unfavorable to the Class.

5 7. Class Members who wish to participate in the settlement shall complete and
6 submit Proof of Claim forms in accordance with the instructions contained therein. Unless the
7 Court orders otherwise, all Proof of Claim forms must be postmarked no later than ninety (90)
8 days from the Notice Date. Any Class Member who does not timely submit a Proof of Claim
9 within the time provided for shall be barred from sharing in the distribution of the proceeds of
10 the Net Settlement Fund, unless otherwise ordered by the Court.

11 8. Any Person who desires to request exclusion from the Class shall do so within the
12 time set forth and in the manner described in the Notice. All Persons who submit valid and
13 timely requests for exclusion in the manner set forth in the Notice shall have no rights under the
14 Stipulation, shall not share in the distribution of the Net Settlement Fund, and shall not be bound
15 by the Stipulation or the Judgment entered in the Litigation.

16 9. Any Member of the Class may enter an appearance in the Litigation, at their own
17 expense, individually or through counsel of their own choice. If they do not enter an appearance,
18 they will be represented by Lead Counsel.

19 10. Any Member of the Class may appear and show cause, if he, she or it has any
20 reason, why the proposed settlement of the Litigation should or should not be approved as fair,
21 reasonable and adequate, why a judgment should or should not be entered thereon, why the Plan
22 of Allocation should or should not be approved, or why attorneys' fees and expenses should or
23 should not be awarded to Lead Counsel; provided, however, that no Class Member or any other
24 Person shall be heard or entitled to contest the approval of the terms and conditions of the
25 proposed settlement, or, if approved, the Judgment to be entered thereon approving the same, or
26 the order approving the Plan of Allocation, or the attorneys' fees and expenses to be awarded to
27 Lead Counsel, unless that Person has delivered by first class mail written objections and copies
28 of any papers and briefs such that they are received on or before August 28, 2008, by: Saxena

1 White, P.A., c/o Joseph E. White III, 2424 North Federal Highway, Suite 257, Boca Raton, FL
2 33431, Kahn Gauthier Swick, c/o Lewis S. Kahn, 650 Poydras St., Suite 2150, New Orleans, LA
3 70130, Morgan, Lewis & Bockius LLP, c/o John Hemann One Market Spear Street Tower, San
4 Francisco, CA 94105, and Latham & Watkins LLP, c/o Patrick E. Gibbs, 140 Scott Drive, Menlo
5 Park, CA 94025, and filed these objections, papers and briefs with the Clerk of the United States
6 District Court for the Northern District of California, on or before August 28, 2008. Any
7 Member of the Class who does not make his, her or its objection in the manner provided shall be
8 deemed to have waived such objection and shall forever be foreclosed from making any
9 objection to the fairness or adequacy of the proposed settlement as set forth in the Stipulation, to
10 the Plan of Allocation, or to the award of attorneys' fees and expenses to Lead Counsel, unless
11 otherwise ordered by the Court.

12 11. All funds held by the Escrow Agent shall be deemed and considered to be in the
13 custody of the Court, and shall remain subject to the jurisdiction of the Court, until such time as
14 such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

15 12. All papers in support of the settlement, the Plan of Allocation, and the application
16 by Lead Counsel for attorneys' fees or reimbursement of expenses shall be filed and served
17 fourteen (14) calendar days before the Settlement Hearing.

18 13. Neither the Defendants nor their Related Parties shall have any responsibility for
19 or liability with respect to the Plan of Allocation or any application for attorneys' fees or
20 reimbursement of expenses submitted by Lead Counsel, and such matters will be considered
21 separately from the fairness, reasonableness and adequacy of the settlement.

22 14. At or after the Settlement Hearing, the Court shall determine whether the Plan of
23 Allocation proposed by Lead Counsel, and any application for attorneys' fees or reimbursement
24 of expenses shall be approved.

25 15. All reasonable expenses incurred in identifying and notifying Class Members, as
26 well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the
27 event the settlement is not approved by the Court, or otherwise fails to become effective, neither
28

1 the Lead Plaintiff nor Lead Counsel shall have any obligation to repay any amounts actually and
2 properly disbursed from the Class Notice and Administration Fund.

3 16. Neither the Stipulation, nor any of its terms or provisions, nor any of the
4 negotiations or proceedings connected with it, shall be construed as an admission or concession
5 by Defendants or their Related Parties of the truth of any of the allegations in the Litigation, or of
6 any liability, fault, or wrongdoing of any kind and shall not be construed as, or deemed to be
7 evidence of or an admission or concession that Lead Plaintiff or any Class Members have
8 suffered any damages, harm, or loss.

9 17. In the event that the settlement does not become effective in accordance with the
10 terms of the Stipulation or the Effective Date does not occur, or in the event that the Settlement
11 Fund, or any portion thereof, is returned to the Defendants, then this Order shall be rendered null
12 and void to the extent provided by and in accordance with the Stipulation and shall be vacated
13 and, in such event, all orders entered and releases delivered in connection herewith shall be null
14 and void to the extent provided by and in accordance with the Stipulation.

15 18. The Court reserves the right to continue the Settlement Hearing without further
16 notice to the Members of the Class, and retains jurisdiction to consider all further applications
17 arising out of or connected with the proposed settlement. Should the Court continue the
18 Settlement Hearing, such a continuance will be reflected in the Court's calendar and accessible
19 via the Court's website. Also, Lead Counsel shall publish over the same widely disseminating
20 news wire as used to publish the Summary Notice, a press release informing Class Members of
21 the change. The Court may approve the settlement, with such modifications as may be agreed to
22 by the Settling Parties, if appropriate, without further notice to the Class.

23
24 DATED: _____

25 THE HONORABLE CLAUDIA WILKEN
26 UNITED STATES DISTRICT JUDGE
27
28

Respectfully submitted,

SAXENA WHITE P.A.
MAYA SAXENA
JOSEPH E. WHITE III

Dated: _____

JOSEPH E. WHITE, III

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5 Counsel for Defendants

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9 Dated: _____

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17 Counsel for Defendant Ernst & Young LLP

18 *Filer's Attestation: Pursuant to General Order No. 45, Section X(B), Michael Braun hereby*
19 *attests that concurrence in the filing of this document has been obtained.*
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